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ABSTRACT

This report contains nine speeches on various aspects of public school finance. Topics discussed include recent educational finance legislation, equalization aid, full State funding, property tax reform, and urban school finance reform. One speech describes the national public school finance picture; two others detail the Georgia school finance system. The future of the public schools and alternatives to the present school finance system are the topics of two other speeches. The report ends with a summary of the speeches and with a statement giving the positions of a majority of conference participants on various issues of school finance reform. Biographical author sketches are also included. (Author/DN)

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Public School Finance

THE GEORGIA EXPERIENCE

The Southern Center for Studies in Public Policy

CLARK COLLEGE
Atlanta, Georgia 30314

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Proceedings of

SEMINAR/CONFERENCE ON PUBLIC SCHOOL FINANCE

October 13-14, 1972

The Southern Center for Studies In Public Policy

CLARK COLLEGE
Atlanta, Georgia

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FOREWORD

The Southern Center for Studies in Public Policy is a social action and monitoring organization situated at Clark College in Atlanta, Georgia. The Center was established in July, 1968 with two major premises in mind: that the body of knowledge available to the academy must necessarily be applied to the resolution of public issues; and that there is a demonstrable need for an institution, based in an academic setting, which deals primarily with the South. The Center is unique in that it is the only organization of its kind affiliated with a private black institution of higher learning and, therefore, contains a special and important perspective in analyzing current policy questions.

Our concern with the issue of public school finance grew directly out of the experience of twelve women, recognized as indigenous community leaders, who serve on the Policy Center staff as Community Instructors. The Instructors are, among other things, concerned with supplying information about education issues to their fellow citizens. Their perceptions resulted in the conference on school finance in Georgia.

Special credit for implementation of the Conference and preparation of these proceedings belongs to James C. Mays, Assistant Director of the Southern Center for Studies in Public Policy. Mr. Mays assumed responsibility for all facets of the program. We feel that the results of these efforts, in raising and answering important questions about public school finance in one Southern state, are apparent in the pages which follow.

ROBERT A. KRONLEY
Director

PREFACE
Seminar/Conference on Public School Finance

As a part of its continual program in public policy formulation the Southern Center for Studies in Public Policy, a center located at Clark College in Atlanta and concerned with developing opportunities for faculty, students and community leaders in the formulation, content and implementation of public policies affecting people living in the South, conceived of the notion of a seminar/conference on the issues of public school finance to be presented to any persons interested in this extremely important area.

Public school finance has become of major significance within the last two to three years mainly due to the cases which began in California and spread clear across the nation questioning the constitutionality of current school finance systems which rely on property taxes for support. Opponents of this type school finance argue that it has resulted in wealth discrimination, a violation, they say, of the Fourteenth Amendment of the Constitution of the United States. These opponents believe that the present systems should be re-fashioned into forms which will allow for greater equality, hence greater conformity with the Fourteenth Amendment.

On October 12, 1972, the United States Supreme Court heard the case of *Rodriquez v. San Antonio Independent School District*. For that Reason our conference from which this book was produced and which began on October 13, 1972, was a most timely one. At least one of our key-speakers had been in Washington for the hearing of *Rodriquez* and was able to lend an excitement to the gathering which carried over from the excitement of being at one of the most important judicial gatherings this country has been faced with just one day prior.

The U.S. Supreme Court has not yet handed down its decision in *Rodriquez* and for that reason it seems most appropriate to offer this book with its remarkable group of school finance experts speaking of the many facets of this school finance dilemma, dispelling some myths, confirming realities, and venturing to propose new and often very controversial alternatives to the school finance system as it currently exists.

This seminar/conference on public school finance was a remarkable one in the best sense of that term and one well worth the effort. The product of that conference, this book, speaks for itself.

JAMES C. MAYS
Assistant Director

Public School Finance—The National Picture

JOHN SILARD

Four years after the birth of the school equalization litigation it is being recognized as a serious movement, and its proponents are sometimes accused of fostering a new era of "separate but equal." They say we have given up on school desegregation, so now we're promoting school equalization to replace the *Brown* decision. Now that's not true. In fact, the NAACP and other enlightened people are on our side of this fight. Indeed, I believe that making progress in school equalization may be indispensable for making progress in school desegregation as well.

Now the school equalization subject is beset by much confusion. But don't be alarmed about being confused. When you take a new difficult subject if you're confused that's a sign that enough has come through so that you're beginning to ask difficult questions. Moreover, the United States Supreme Court heard arguments on this question just yesterday, and they're also confused.

The first reason for the general confusion is that this question involves one of the most important subjects in this country to which we have paid little attention. It is our fashion to pay a lot of attention to many esoteric questions—academic studies are done on the most minute issues—but I find that in public life the largest issues are systematically neglected. Perhaps the neglect reflects the fear of opening subjects too hot to handle. So we find ourselves in 1972, after 10 years of public attention focused on the problem of school equalization, with practically no reliable school expenditure figures in the states or the nation. We know that money is being collected and spent, but we have no idea whether it costs more to educate a child here or there. We do not know whether the cities will gain or lose out of equalization of school tax rates or school funds. We have no reliable data relating education expenditures to education results. Four years after the legal issue was posed by the first of these cases, we do not yet have the basic facts.

In a way then, what we're trying to do now in the early stages of this historic litigation is to decide on the areas where we will need to get the basic facts. The equalization principles we are now testing in the courts are only a modest beginning. Right now, for instance, the vogue in the test cases is something like the "freedom of choice" principle was in school desegregation. You may laugh about it now, but only ten years ago the courts thought that was a great way to make progress toward school desegregation. Well, we're at the freedom of choice stage in this school equalization movement. What may pass for "equalization" in 1972 or 1973 may soon be seen as only the modest and imperfect beginning toward a vital Constitutional goal.

Let me start by describing how the present system works. Today we fund schools basically as we have for a hundred years—out of the local property tax which is kept in the locality for public education. That's not the whole story,

but typically in most states between 40 and 60 per cent of all the money that's spent on public education (secondary and elementary) comes from the property tax locally collected and locally spent. Now, this is the heart of the problem that all these equalization cases are looking at: because some communities are rich in property values and some are poor, in Community A a 3% tax for education will yield X dollars per child, while in Community B which is richer or poorer a quite different amount of money will be collected from the same tax rate. In fact, if there were nothing else going into our schools today but local money, the range of difference in school expenditures per child between a property rich and a property poor community using the same tax rate would differ by factors as great as 50 or 100 to 1. In the worst cases perhaps even a thousand to one.

Because the range of difference between the richest and poorest districts is so enormous, the state aid supplement system was established in the earlier years of the Century. The state legislatures realized that just using the property tax would not allow poor districts to provide education, and so they enacted the flat grant programs. Every school district in the state was given X dollars per child. In 1910 it was probably $10 per child, today it's up to $200, but it was something for every child in the school district, so that very poor districts were getting money on this flat grant basis. That did not prove to be good enough, and so the foundation programs came in. In theory, there are equalizing aid programs. The state provides what today may be 40 to 60 per cent of all the money spent on public schools in the state and gives inversely in relation to a locality's property values. Thus the foundation programs are frankly intended to help the poorer districts, and on paper it looks good. On paper you start with a local property tax capability which is off 10 to 1 or 20 to 1 between our richest and poorest district, but then the rich get nothing from the state and the poor get a lot so things must be fairly equal. Well, on paper it looks pretty good but in practice it isn't. In practice even after the state money goes in to equalize you may have 5 to 1 and even 20 to 1 differences between what's spent per child between the richest and the poorest districts. If you can imagine what a 20 to 1 differential in spending for education means! In California where the historic *Serrano* case was decided last year, the difference was 6 to 1—$400 to $2400 per year per child was the range. In the nine biggest states where half our public school children live, the range of differences in expenditures per child between richest and poorest districts averages 5 to 1. There are kids in those states getting one-fifth as little spent on them in the public school system than others. You may think money does not make a difference in education (certainly there is not an exact correlation between dollars spent and pupil achievement), but there's surely *some* relation between money and education and 4 and 5 to 1 differences are intolerable.

This is why the courts are in this. The professors and others who started these cases in 1968 have begun to convince judges that it is unspeakable to have a public education system in which government is so deeply involved but in which the disparities in what's being spent are so large. And it's all the worse because

it's typically the poorest children who are getting the least amount spent on them, and typically the children of the wealthy in the suburbs who are getting the highest expenditure education. On top of that, to make things even worse—in Texas for instance—the richest districts are paying much *smaller* property tax rates and still getting a larger yield per child, while the poorest districts are paying the *highest* tax rates and yet getting lowest school revenues.

Now this is basically the range of inequalities which has concerned the courts. Starting in California a year ago, going on to Minnesota, Texas, New Jersey, the courts have said that the present system violates the equality guarantee of the Fourteenth Amendment. Today suits are pending in 31 states and unless the Supreme Court puts a stop to this (and after hearing the arguments yesterday in the Texas case I don't think they're going to) it is inevitable that an era of major change in school funding is upon us. The courts, the legislatures and the Congress are going to get involved. More money is going to be needed—and that is going to raise a question of where that money is going to come from. It's going to challenge the present tax system as well, because property taxes are not the only way to collect money for education.

So here are the facts that have gotten us into the courts, and we're beginning to win all across the country in state and federal courts. In some places we are winning on the basis of the state Constitution—we did in New Jersey—so whatever the United States Supreme Courts may say about the Federal Constitution we may win on the basis of state constitutions in a number of places. I'm an optimist. I think we're moving toward victories.

But what are these victories? What's really at stake? Is this new doctrine something that is going to help taxpayers or school children? Now there are some lawyers promoting these cases who think that what's really bad is that the school taxes are unequal. They want to remedy the system by apportioning the tax structure for schools so that the rich community will be on a parity with the poor community, and that's *all* they want to do. I like what they want to do—but it isn't enough. They want to stop by reapportioning the tax system. They say we're going to put the rich and the poor school districts on a parity by a mathematical formula with an IBM computer; in the district which is twice as rich as the average, of every dollar collected in school taxes 50¢ gets kicked into the state because that represents the special "wealth" of that district. Inversely, the poor district gets extra equalizing money from the state. Now after they've done that some of these equalization experts want to quit. They say that if the tax inequality is removed then it's alright if we still have unequal spending in schools; in one district the voters don't like schools and don't want to vote a high tax rate for education—that's what they call the "effort differential—that's freedom of choice.

Now, I don't understand that. Neither did some of the Supreme Court Justices in yesterday's argument. They said to the lawyer for our side who was satisfied with the tax equalization reform: "Do you really think the Constitution permits inequality in education if the voters don't believe in education? What if the kids don't get equal education?" It seems to me that if there's any substance to the equalization idea it isn't just a question of tax rates, it's a

question of what we put into the schools. Have we gone through all this trouble in the courts only to end up with this very modest "freedom of choice" reform? If we take the wealth factor out but leave in this "effort" differential we are probably going to be little better off. Certainly in the cities the gain would be doubtful. The detroit and Philadelphia voters will continue to reject higher taxes for schools for many reasons, some of them decent and some indecent. It's understandable, city residents are already paying very high tax rates—generally the highest in their states.So, let's lay aside the tax side of the issue. When we're all done we're going to find that what we were talking about in school equalization was not equalizing the tax-payers' burden but equalizing the funding of our public schools. Now, there we get to the next $100 question. *What is Equality in public school funding?*

We have three possible alternatives. One equalization standard would say—and when I first thought about this four years ago this sounded right to me—"one man one vote" is what the Constitution says so it must also require "one child one dollar." So the first possible standard is one that says the state must make sure that every child annually has the same amount of money spent on him in public education. I will explain in a moment why that is terrible, but that's the first and simplest standard.

The second alternative—the one I would like to sell to the courts—is that we spend for each child the amount it will take to offer him the same education as a child in any other school district in the state. Thus if we can show that in this city here it takes $2 to buy a dollar's worth of education then that child should have $2 spent on him. That is because in his district that $2 is only buying him *the same education* that costs $1 out in a rural district. So I prefer this standard which provides revenue for equalizing education *inputs* in terms of faculty, curriculum, pupil-teacher ratios, school plant, etc.

The third possible standard is the most stringent, and it's the one I'd like to sell to legislatures. That standard would equalize achievement or "outputs"—we would spend money so that kids will leave school as far as possibly equally able to think, to read, to write, to achieve. Now that is a standard which says we must spend in schools so as to equalize educational results. Title I of the Federal Education Act seems to me to be that kind of a standard. It's the beginning of an appreciation that there are kids who need compensatory education which is expensive. We are going to have to spend more money on those kids.

So, then, there are these three standards: equal dollars per child; dollars distributed to achieve equal educational offering or inputs, and dollars spent to achieve equal educational achievement or outputs. Those are the three competing standards. Most of the discussion today stops at the first of them. But equal dollars would be devastating for education in our cities. Four years ago when this equalization litigation got started everybody said, "Where are the worst schools? They're in the cities, so obviously if we equalize schools city schools will be better off." But now we've looked more closely at the facts and it becomes clear that equal dollars per child won't mean anything to our cities

and could even make things worse.

Here is the reason. The biggest cities in this country are *not* below but above the median in assessable property per child, and are currently *above* the median in expenditures per child. If we were now to take out the factor of the local wealth variation and spend the same on each child, New York City kids would have $60 less spent on them every year than they have now. Surely it would be shocking to have an equalization movement taking money away from kids in city schools. *They need more not less.* And it's even worse on the taxing side. City people pay the highest taxes but if you look at the rate of taxes that city people are paying for *education* they're paying *less* than the median in their states. How is it that they are collecting the highest taxes and yet collecting and spending *less* than the average for education? The fact is that the cost of other municipal services—police, garbage, firse, streets, and the rest—eats up the tax revenues in the city. Therefore, while city people pay premium tax rates less is left for education! So if you took a simple-minded approach to the problem and equalized tax rates across the state for education, the same New York City kid who got sixty dollars less by too simple an approach to the distribution problem also finds his father paying a higher school tax than before. What could be worse than a movement in which tax rates in cities go up and city schools have less money?

Serrano and the other pending equalization cases are those seen as basically rural in orientation. It's the rural schools that are the poorest, and it's clear that they need help because their tax base is impoverished. The *Serrano* approach will help them, but I'm saying "let's not quit there." Let's look at the cost of education. Let's prove—and I'm working with others to prove that these facts are real—let's prove that it costs $2 to the average $1 to educate a child in the city. Let's have an equalization theory sufficiently realistic to equalize education, not money. Let's be rational and recognize that we're not giving kids dollars in the schools, we're giving them education. It is no solace to them that they've got the same amount being spent on them if they suffer crowded classrooms and inadequate teachers. We've got to give them at a minimum the same inputs. Let's get the courts to give them that under the Constitution and the legislature to go further—like Title I—and give compensatory aid to those who need it.

Now those are the three basic options and my pitch in the courts is for input equalization. It takes a while before you can run, and we're only walking with this problem right now.

Let me talk for a minute about the even harder question of how we are going to fund school equalization. I have given you three or four alternative systems—equalizing taxes, dollars, inputs, and outputs—but there remains the question, how are we going to fund any of them? Are we going to stick with the local property tax base? Are we going to modify it with the "power of equalization" which takes 50¢ from the rich district's dollar yield? Are we going to go to full state funding? Or are we going to try to improve the present foundation programs? Power equalization doesn't work at all for the people in

the cities. Improving the foundation program could work in many states. If the state goes up to 70% or 80% of the load for education then in fairly homogeneous states—perhaps as many as 35 states--you could wipe out the expenditure differentials per child in the school system. Of course, that's before you get to the problem of the cost differential. You'd have no money left for that problem—and you have used up so much of your state money just bringing your poorest districts up to he median or the highest level that you're not going to have the state money left to take account of the cost differentials and the compensatory education needs of many school districts—principally the urban schools.

So I'm for full state funding. Now there's a great emotional argument made that each locality decides who the police chief will be and how many fire engines it is going to have and where the little school house is going to be. Under full state funding local freedom to choose now much shall be spent in the schools is necessarily surrendered. Well, if the price of sticking with localism in education is maintaining the existing inequalities then I say it's not worth that price. I don't see that some horrible loss of values is implied if we say that the state will collect all education moneys by whatever tax system you want to use—property tax, income tax, sales tax—and disperses them irrespective of where they were collected and in some rational educationally-related way. To me that makes a lot of sense, and local options aren't really lost except on the single issue of the level of each locality's school expenditure. You still have the right to decide who your principal will be, what kind of teachers you're going to hire, what kind of curriculum you want. I'm not sure many school districts have that anymore, but if you have that today you can keep it under a full state funding system.

Now, I've given you heavy stuff on gut problems of equalization and alternate funding options. Let me touch only briefly in conclusion on three related issues:

First, the parochial aid and voucher movement is alive and growing. I think public school equalization has no greater enemy at this moment. The movement has friends in the Congress, the White House and elsewhere. If we now decide that it's a good idea for the federal government to pay the bill for sending our children to private school, there will be abandonment of public education. What will be left will be an even more impoverished and segregated public education system. That's not to say that if we had a hundred and fifty years to go back and could start all over again we might not have given an affirmative answer to the question "should government give tax credit and tax assistance to permit people to choose between a public and a private educational system?" May be it would have been a good idea, but right now the movement for vouchers and tax credits is calculated to stop whatever hopes we have for school desegregation.

Secondly, I want to say something about desegregation. I mentioned this before. I think we've seen in the last two or three years from the White House, the Congress, some courts, and certainly from many voters a nullification of the desegegation mandate. You see it in the North, and particularly in metro-

politan areas. Now, I'm not going to tell you that the poor quality of the urban schools is the reason why Congress is being stampeded, or the White House is on the wrong side, or some courts are going wrong, but it is a large part of it. Nothing could make it more difficult to desegregate our metropolitan school systems than the present double-standard: quality schools in the suburbs and impoverished schools in the city. In other words, we are trying in the hardest possible setting to tell white people "we want you to have your kid bussed to a desegregated school in the city, where the classrooms are crowded, and teachers too few and too weary, and the curriculum is restricted." With these inequalities in operation we are trying to achieve desegregation in the most difficult way. If we had a President, a Congress, and a Supreme Court who were going to enforce desegregation come hell or high water because the Constitution requires it maybe we wouldn't have to worry. But we don't have those things and we never will. Therefore, if you want to make progress in school desegregation in a metropolitan setting—South or North—you've got to work now on the equality problem. You've got to remove one of the nullifying factors which may prove the hardest to answer, particularly because it looks so non-racial. People can say, "I'm not against desegregation, I just don't want to send my kid to an inferior school." That apology has to be removed. We're not going to do it overnight. It's going to be a long fight to upgrade the city schools. But if we don't do it, we will have failed to give school desegregation the best chance of success.

Finally, apart from inequality I think that we've seen here is an awakening to the fact that public education in this country is not what we ever thought or hoped it would be. It is partly due to entrenched teacher bureaucracy but I don't think that that's the major cause. There's a lot of trouble in the public schools. A lot of them waste money, many schools are just plain too poor. With the dollars they now have they are not going to provide even able learning kids with good results, and even less so with the underprivileged. So, in a larger sense, while the noise that you hear from me and others is about equalization of funding in schools, I think it comes at a time of a national reawakening to the fact that our public school system is inadequate, that it needs a lot of improvement and a lot more money although I would be the last to say that money provides *all* the answers. Skills, goodwill, community harmony, and a lot of other things are also going to be needed. But as a believer in the public education system, my message is "improve it or lose it."

Once the courts and legislatures say we've got to equalize public schools it's going to prove to be *upwards equalization*—an equality of quality. I live in a suburb. None of my suburban representatives in Annapolis are going to think for one minute if they *have* to equalize schools about letting money from our suburban schools be taken away to upgrade schools in Baltimore. Painful as it may be, they are going to go and vote a new tax so that we can keep the high level of funding we have now and bring the other schools up to *that* level.

Thus I am left with the confidence that school equalization, beyond its own merits of justice and fairness, will move us also toward the goals of a desegregated and high quality public education system for all our people.

*"Urban School Finance Reform in The Post-*Serrano *Period"*

JOHN J. CALLAHAN
AND
WILLIAM H. WILKEN

Introduction

Let me begin with this paradox: School finance inequities are dead; long live school finance inequities. Such is the anomolous situation which urban school districts find themselves in during the post-*Serrano* period. Having aided in the fight for school finance reform, large cities, in the words of their amicus brief in the Rodriguez case, are cognizant of the fact that, "there is no absolute assurance that affirmance of [that] decision . . . will be translated in additional funds for urban schools."[1] Yet, at the same time these very school districts" . . . are prepared to take their case to the legislatures once school funding is freed of the straight-jacket imposed by the unwarranted dependence of school funding on local wealth."[2]

Why this tripidation given the urgent need of large cities and other similarly situated school districts for greater educational resources? With the advent of school finance systems that will be fiscally neutral, shouldn't cities receive the extraordinary funds they require to achieve their educational tasks? Some analysts in the school finance reform movement, myself included, are beginning to be apprehensive that they might not.

Accordingly, let me (1) indicate the content of such apprehensions and (2) suggest some policies that may prevent urban school districts from becoming unwilling victims of the momentous reform movement they helped to initiate.

The Decisions

First, consider the recent court decisions themselves.[3] All indicate that educational finance must not be a function of local wealth; all indicate that present levels and certain types of State aid have contributed to inequities in school finance, and a few[4] support the contention that there is a correlation between educational expenditures, educational program, and academic achievement. However, in keeping with the tradition of judicial restraint, no decision has indicated what legislative remedies might be used to correct present school finance inequities. Rather, in the words of the *Van Dusartz* decision, ". . . the fiscal neutrality principle not only removes discrimination by wealth but also

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[1]Amicus brief #71-1332, Supreme Court of the United States, October, 1972, p. 27.

[2]*Ibid.*, pp. 31-32.

[3]Successful court cases have been handed down in California, Minnesota, Texas, Arizona, New Jersey, and Kansas.

[4]In part, the Kansas, Texas, and New Jersey cases make such statements.

allows free play to local effort and choice and openly permits the State to adopt one of many optional school funding systems which do not violate the equal protection clause."[5]

Heavily influenced by the Seminal work, *Private Wealth and Public Education*, the courts and other observers have begun to view fiscal neutrality as method whereby equal effort or choice will bring equivalent fiscal results. In short, fiscal neutrality means not equal dollar per scholar but rather equal expenditures for equal tax effort, a blow to the canons of horizontal equity in school finance.

As a consequence of these views, urban school districts may have to cope with school finance reforms that have the appearance rather than the reality of fairness. Let me elaborate on this point.

The fiscal neutrality principle, as just stated, is postulated on the "free play" of local effort and choice in school finance. Yet it is just this element of free play that is lacking to large city school districts in the post-*Serrano* period. Very briefly, cities lack the wealth to change their educational situation, they face fiscal burdens which prevent them from choosing expanded education budgets, and they face educational need and cost situations which preclude them from fully participating in certain post-*Serrano* educational finance reforms. Let me explain by illustration; *Fiscal capacity* . . . The way in which wealth is measured in State aid formulae, present or proposed, almost always discriminates against large cities which frequently appear rich but which are, in effect, poor. First, property values rather than personal income is the measure of fiscal capacity most school aid formulae employ. Such wealth is overconcentrated in most city and rural areas and underconcentrated in most suburbs; the use of such a wealth base, then artificially bulks up central city fiscal capacity. Large city wealth is further distorted by using pupils rather than total population as the unit by which wealth is measured.[6] Due to low enrollment ratios, cities have fewer units to measure wealth against, hence their apparent wealth is further increased. Both factors, then, make cities generally appear as wealthy jurisdictions at the very same time that all other indicators point to considerably lower family incomes and concentrations of poor children in cities than suburbs. Thus, we have the paradoxical situation where Lawrence—a central city in Massachusetts has a per pupil valuation *6 per cent less* than Hingham, a rich suburb, while at the same time having *25 per cent less* per capita income, *64 percent lower* proportions of families earning over $15,000.00 and *140 percent greater* proportions of families earning under $4,000.00—the current poverty level. More realistic measures of wealth would change this situation. *Fiscal effort* . . . Not only do central cities frequently have less "true" wealth than surrounding areas but they also have less access to this

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[5] *Van Dusartz v. Hatfield* as cited in Senate Select Committee on Equal Educational Opportunity, *Recent Court Decisions Affecting Equal Educational Opportunity* (Washington, 1972), p. 518.

[6] See John Riew, "State Aids for Public Schools and Metropolitan Finance," Land Economics, XLVI, No. 3 (August, 1970), pp. 297-304.

wealth to raise educational expenditures. This occurs due to two factors. First, total local tax rates are already considerably higher in the central city than elsewhere. Being so high, there is little fiscal latitude to raise more money for schools. Secondly, considerably greater proportions of city budgets are spent for noneducational services than elsewhere. Poverty, density, unionization, and age all raise the levels of city expenditure and at the same time insure that there will be strong noneducational competition for the city tax dollar.[7] A few city-suburban comparisons on this point indicate the dimensions of this problem.

	Central City/Suburban Comparisons	
SMSA	Local Taxes as % of Income	Educational Expenditures As % of Total Expenditures
Baltimore	157	56
Boston	181	53
Philadelphia	168	56
Cleveland	184	78
San Antonio	166	64
Portland	156	60

Thus, municipal overburden and consequent total tax differentials are important factors in preventing cities from having the freedom to participate in some supposedly "neutral" school finance remedies such as power equalization. *Educational need* . . . Cities are the homes of those who are expensive to educate. Whether it be pupils who need compensatory vocational, or other forms of specialized education, the city traditionally and presently contains more such children.[8] These pupils are just the ones that need more than the "equal dollar" approach, if they are to receive even adequate education. Their concentration in cities substantially raises the cost of urban education. When these need differentials are ignored (compensatory education) or understated (vocational, special education) in State aid revisions, cities will be shortchanged in the name of school finance reform. *Education costs* . . . In similar manner, cost differentials—purchases of similar goods or services at higher prices—are higher in city schools than elsewhere. One recent study of school finance reform in New York State, for example, indicated teacher salary differentials on the order of 1.2 to 1, between the New York metropolitan area and other rural portions of the State.[9] Other research being undertaken by the Urban Institute has uncovered such differentials among central city and suburban school districts.[10]

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[7]Sacks, Seymour, *City Schools/Suburban Schools: A History of Fiscal Conflict* (Syracuse: Syracuse University Press, 1972).

[8]See footnote #1.

[9]Alan K. Campbell, et. al., *Financing Equal Educational Opportunity* (Berkeley: McCutchan Press, 1972).

[10]The Urban Institute, *Public School Finance: Present Disparities and Fiscal Alternatives* (Washington, 1972).

Cities, then, have less wealth, greater fiscal burdens, more extensive and more costly educational needs requirements than almost any other type of school district. They are not, therefore, able to participate in the "free play" of local effort and choice in the post-*Serrano* era. Captives of forces over which they frequently can exert no control, cities need special attention if they are to participate in the bounties of a fiscally neutral system of educational finance.

The Case for Pessimism: A Look at the Record

As these aforementioned remarks suggest, cities have not and can not be expected to compete on an equal footing in simply designed systems of school finance. Yet it may be contended that we are today, more than ever, aware of the ills of urban education, and are in a position to correct them now that *Serrano* has occurred.

A look at the record indicates that this is far from being true. I base this contention on two facts: (1) an appraisal of "urban" school aid measures that are presently in effect and (2) an analysis of several alternative school finance plans that have been proposed in California, Kansas, Michigan, Minnesota, and New York.[11]

Presently, only seventeen States have general or categorical aid provisions to aid the disadvantaged; less than five States made provision for using wealth measures other than property values in their aid formulas; only two States—Michigan and New York—make allowance for extraordinary fiscal burden, and while a number of States have "density" corrections or additional aid for higher cost teachers, this aid has not invariably ameliorated the urban fiscal crisis. The extent of State neglect in accounting for needs of educationally disadvantaged is noted by the following illustration.

STATE AID FOR DISADVANTAGED

State	%of Budget for for AFDC Purpose	$Amount per AFDC Purpose	Weighing per AFDC Unit
Connecticut	3.0%		
Illinois	2.0		
Michigan	2.7		
Minnesota			.5
Missouri		$125	
New Jersey			.75
Ohio	4.2	$200	
Oregon	.9		
Pennsylvania		$140	
Rhode Island	3.0		

[11]Betsy Levin et. al. *Paying for Public Schools: Issues of School Finance in California* (Washington, 1972); National Legislative Conference Special Committee on School Finance, *A Legislators Guide to School Finance* (Denver: Education Commission of the States, 1972), and Campbell et. al., *op. cit.*

In a similar fashion, recent analysis of proposed or hypothetical school finance reforms have suggested that cities may turn out to be losers in the post-*Serrano* period. Levin and others found that full State funding would reduce central city expenditures by $20.00 per pupil or more and that some forms of power equalization could drastically reduce urban school expenditures. Berke and Callahan made similar findings in the only multistate study to date, indicating that rural, not urban, school districts were the only sure beneficiaries of school finance reform after Serrano. And comparative data on proposed or enacted school aid revisions in four selected States, indicated that even after revised aid plans effected cities would still receive less, not much more State aid than many surrounding suburban jurisdictions. Finally in a recent office of Education study of comparative educational finances in twenty-five large cities, it was found that cities would be better off receiving "flat grants," now deemed unconstitutional in States where there has been successful *Serrano* type legislation, than by equalization grants where the latter did not include such factors as educational need.[12] The message rings clear. Cities have required and will continue to require special attention in the formulation of school finance programs.

Redefinition of Fiscal Neutrality

My remarks on the conceptual and empirical dilemmas of urban educational finance lead me to believe that the concept of fiscal neutrality must be redefined in order to give urban school districts the resources that they need in the post-*Serrano* era. Yet how is this to be done?

A good place to begin appears to be in the realm of classification. We need to know which school districts are really poor, which ones are carrying too large a fiscal burden, which ones have extraordinary concentrations of educational need, and which ones are paying high costs for their services. With such a taxonomy, educational resources could be directed to the most deserving districts. A set of maxims might be developed as follows:

(1) wealth, need, and effort being equal high cost districts should recive more aid than low cost districts.

(2) wealth, need, and cost being equal, high effort districts should receive more aid than low effort districts.

(3) wealth, cost, and effort being equal, high need districts should receive more aid than low need districts.

(4) cost, need, and effort being equal, low wealth districts should receive more aid than high wealth districts.

By using appropriate wealth, need, cost, and effort measures in a general aid formula, money could be redistributed from districts with few fiscal needs to

[12]U.S. Office of Education, *Finances of Large-City School Systems: A Comparative Analysis*. (Washington, 1971), p. 25.

those with many. Only by such a redefinition of fiscal neutrality can urban education benefit from school finance reform.

Conclusion

I have outlined the problems and some possible solutions to the urban educational finance crisis in the pre and post school finance reform eras for a definite reason. Simply put, school finance reform will not be an easy task, and I urge you to avoid the deceptive glamour of such concepts as "fiscal neutrality" and "power equalization". The road to comprehensive and enduring school finance revision may not require us to pass through the proverbial "eye of the needle". However, we are still not yet travelling on a four-lane highway to successful educational finance reform for urban schools.

The Georgia School Finance System

HOWARD ATHERTON, JR.

I'm supposed to talk to you about the Georgia picture regarding school finance and with particular reference to the Atlanta situation. And when I get through, if you're not thoroughly confused about what you've already heard before, it'll surprise me because I'm confused after what I heard last night and today.

I think the best thing to do is to go over the Georgia formual for financing education and use that as a starting point. The Georgia education finance situation's base is called the Minimum Foundation Program for Education. It includes some ten items which are payment of teachers' salaries, professional leadership personnel salaries, maintenance, operations and sick leave, free textbooks, consummable materials (which has never been funded), purchase of school library materials, the added cost of operating isolated schools, pupil transportation, travel expense of personnel authorized to travel and payment of the program for special education. Present level of this statewide is about $450 million. The local share of this $450 million is about $78 million. Now it's derived at in this fashion; your tax digest over the state digest. Use this factor and then multiply that times the MFPE and that's your share. Actually you multiply it times the local $78.5 million.

Now, this thing started out in 1964 and in 1964 they said that local effort would be more and state effort should be less in relation. So, they started out with 80% state (80% of the minimum foundation to be paid by the state) and 20% to be paid by the local. And they said, we're going to lower the state 1% a year and raise the local 1% a year. Well, they sold that to the legislature because they said, "well we can go up 1% a year, that's not too bad if the overall budget's not bad, we'll go up here and lower here." But, I'm over-simplifying it, at that time it was maybe $100 million MFPE total. And they said well, we'll have to pay 1% more of our share of this hundred, but what's happened since 1964 is that this figure has gone up to about 400 and instead of paying 1% of 100 or going up 1% of 100 they have to go up 1% of 400 and that has been a doubling and a tripling of the required local effort. So everybody on the local level's raising hell about how much money they are having to pay in the required local effort so the legislature dropped the local share to ½%. The other year they just froze. It's finally come down to this year and it's just frozen—it's frozen at 78.5 million. Because this thing has literally doubled and tripled in terms of the money the local systems paid in to the Minimum Foundation everybody's conscious of property tax increases to do that. That's the primary reason that the legislature has frozen it because everybody's raising the dickens with their local legislators and they froze it.

One other factor that you need to know about is within a given county, you have a county system—let's say they use this figure and they multiply by this and they got their local share of 78.5 million. Let's say you got a city system

like Atlanta and let's say your share was 100 thousand and Fulton County's share was (for illustrative purposes) 250 thousand. Because you're an independent system you, by law, cannot have a transportation system but you've got to help the county pay for their transportation system. So you got to add 1/3 to your figure, so in this case you would add 33 thousand. So it would be 133 thousand over 250 thousand which would be the share within the county. Now, we urban legislators who (we're all independent systems) were successful in getting this wiped out over a 3 year period. One-third, one-third, one-third so you won't have to keep on paying for something you won't have to somebody else. Everybody understand? One other thing happens in Georgia. The Georgia legislature, like most in the U.S., has been rurally dominated for about 100 years. All of the programs that came out of the Georgia legislature involving funding were rigged in favor of the rural counties. If you're going to use a factor, your digest over the state's digest as being your factor you can see quite readily that somebody like Atlanta with a tremendous digest would have a much larger factor and remember it multiplies by this $78.5 million.

Well that wasn't good enough for them. If this figure, your digest, is incorrect—if it's higher than it should be or lower than it should be, then that has a tremendous effect upon how much you will have to pay. Generally speaking in the rural areas throughout the state, they underassess their property tremendously. By law it's supposed to be at 40%. Most urban areas have placed it between 30 and 40%. They tried to make it pretty close to what it actually is. The rural areas deliberately understated their digest. They run between 20 and 30%. And the state let them do it; consciously let them do it. They knew it was that way. If you were at an actual 30% and they were at an actual 20% you're getting cut really three different ways; you're getting cut there, you're getting cut on the transportation, and you're getting cut by the very fact that your digest is going to run higher from an urban area on a per capita basis. So the whole system is rigged in favor of rural areas. Tremendously so. Plus the fact that the rest of the money spent comes from sales and income taxes which are again paid at an inverse proportion by the people in the urban areas. They pay a greater share of sales and income. Well, that's the Georgia system.

Now, I maintain that using that system we can't stand much more of this equalization. We tend to think of equalization as poorer school districts having sometimes a greater percentage of black students but that's not the case. Atlanta's system is the one that's got the big percentage of blacks—the one with the high digest, it's the one that all formulas we've drawn have penalized and sent the money to the rural areas. Now, just one comment there. It seems to me that you can have a very high digest and have a very large number of poor people. Atlanta's digest comes from its high commercial and industrial, Peachtree Street, but Atlanta's probably got more poor people in its school system than any other, but it's got a high digest. We're measuring on something we ought not to be measuring on. The digest is the value of the property within a given school system's area—the assessed value. Georgia law says all real property shall be assessed at 40% of its fair market value.

Let's say you have 350 million dollars worth of state money in the minimum

foundation, and you have, lets say, 75 million dollars required local effort. Well, my property is assessed at $1000, and I assess it at $500 then I'd be $500 over the state's digest rather than $1,000 so I've cut 50%. When you multiply that times 75—you see you multiply that times the required local effort—and that's what your system owes. If I can cut this figure from a thousand over the state's digest let's just say $10,000 and if I falsify another one down to $500 over $10,000 when you multiply this figure out it's what you've got to pay.

People don't like to use income; they like to use property because they understand it better and the politicians, the legislators, know that if you use income its going to throw it a different place. If you put it on property the burden is going to the city. I think, if I haven't thoroughly confused you, the formula was rigged so that the urban people would have to pay a disproportionate share. Very much disproportionate.

Let's look just for a minute at our situation with regard to enrichment and the cases which we are all so interested in. There's roughly three times as much spent in Georgia for enrichment as there is for required local effort. It runs from $9 per pupil in one Georgia system to about $500 in Atlanta. Atlanta's the highest in the state. That local money is put in by local sources, to give more and better things over and above the foundation program. In terms of state support for education, Georgia is much better off—there are only four states that support education from a percentage of state support with a higher level than Georgia. State support for education runs from about 18% (I think that's Wyoming) to Georgia's 59%. And of course the higher the state support, the less opportunity and the more local support, the less opportunity for the fact that you live in a high digest area to make a big difference in the opportunity for education. California's state support is 34%. Texas 39%. They have a 58% local support in California and a 52% local support in Texas. As you all know, the big difference comes in this local business and that's the whole idea of the inability for different children in different systems to get relatively the same education. Georgia just isn't in the same class with California and Texas. For one time I think it might be good. That is, they have a much larger percentage of state support. When you think about doing something about it the $9 enriched child in one system versus the $500 enriched child in another system, if we have inequities it's there it's not in the level of state support. I don't think it can be reasonably compared with the Texas and California situations. As its been mentioned, when you try to do something about that, in my judgment, you have got to come up to the enrichment level of the highly enriched systems. Because those people are not going to stand for their system over the long run to be cut back. I just don't believe that they will do it. Politically it would be impossible. So what would it cost? If we took the enrichment of the most enriched system in the state of Georgia and brought everybody up to that level it would cost more than $500 million. Now, to put that in context, it's more than we collect from the sales tax, it's more than we collect from the income tax, it's out of the question. There is no way that the legislature in the state of Georgia is going to fund anything for $500 million, annually. I think that's about all I need to say and we'll open the thing for

questions but I would like to say this: If we try to take over all the required local effort that final 78.5 million of the minimum foundation that local systems have to pay, if the state took it completely over it would benefit the average rural system by $50 per child. It would benefit the Atlanta system by $150 per child. So this whole thing is shot through with reverses and what's true in one area is completely false in the other area. I think that your viewpoint in the situation would depend largely where you live, in what system you're in. In other words, equalization will hurt the Atlanta school system but if you carry out equalization through state takeover it will help.

Alternatives to the Present School Finance Systems

ARTHUR SCHREIBER

I am going to discuss some basic alternatives in the provision of elementary and secondary education (hereinafter referred to as "education") from an economics viewpoint. The provision of education is a subject which includes more than the means by which it is financed. But first we need to briefly define and discuss the two basic objectives of economics: the efficient allocation of resources and the equitable distribution of income among members of the economy. Everyone uses the term "efficiency", but it is normally used quite imprecisely. Basically, all that efficiency means is maximizing the satisfaction received by the members of a society from the use of limited resources. Resources are limited—that is they are scarce; you can't have everything you want for nothing. However, the wants of members of society are virtually infinite; wants are always greater than the amount of resources available to satisfy wants; otherwise, we wouldn't have to worry about allocating resources. But this is a point which I find most people forgetting when they get into a debate about the merits of alternative public programs. Resources are limited. If you use them for one program they aren't available for something else. I don't like to use the word "needs" because I think it is meaningless. All that an economist can talk about is the effective demand that individuals have for something given their income (purchasing power) and preferences. A poor person may want a Mercedes 320 SL, but if he doesn't have the income it isn't an effective demand. That, in a nutshell, is the difference between a need and a demand. To put it crudely, efficiency is "getting the biggest bang for the buck."

The second basic economic objective that we need to briefly discuss is equity—the "just" distribution of income. But this is all in the realm of value judgments. Economists can essentially say nothing about the goodness or badness of the way the costs and benefits of a program such as education are distributed among members of society. I have my own value judgments on what is fair; others have different value judgments. Income distribution matters have to be decided through the political process. What I am trying to do today is separate the value judgments from arguments that have to do with economic efficiency—that is whether we are getting the maximum benefits from the use of our resources.

To discuss some basic concepts of providing education, we first need to discuss what the benefits of education are. The economics fraternity would generally conclude that most of the benefits of education are private benefits. The term private refers tothe fact that the benefits of education are received by the educated individual and not by other members of society. Thus, the benefits I receive from my own education are private benefits and the benefits received from education by the rest of society are called indirect benefits. Private plus indirect benefits equal the total benefits, sometimes called social benefits. The major private benefit of education is the increased future earnings

that are usually associated with having more education. At one time in the U.S. economy a strong back was the major determinant of earning power; however, in a technological society a trained mind is much more important. Thus, it is not surprising that we find a strong relationship between an individual's level of education and his income. Thus, economists see the major benefit of education as a private benefit called the individual's increased earnings power.

If all of the benefits of education accrued to the educated individual, there would be no economics justification for the public sector to be involved in the provision of education. However, it is generally agreed that there are also some significant indirect benefits from a given individual's education that accrue to the rest of society. These benefits are difficult to identify and quantify but they usually boil down to statements that all citizens need to be literate and receive some "citizenship" education in order that a stable democratic society can continue to function. In conclusion, both private and indirect benefits are important. However, discussions of alternatives in education appear to me to often deny reality—that is they assume away the existence of any important private benefits. The implication is that the demand by the child's household (his parents) for the child's education is a very important behavioral factor. That private demand is strong and when you start trying to implement certain policies that deny the existence of that private demand on the part of parents, they are going to circumvent it anyway they can if they don't like the outcomes. There are mechanisms available to various groups to circumvent a disliked decision by public schools which I will return to later.

Using the standard economic objectives of efficient resource allocation (efficiency) and the just distribution of income (equity), I am going to outline three basic factors with respect to the provision of education which can be changed. I am going to briefly apply these factors to the existing system and to some alternative systems of providing education.

The first factor is consumer choice. We have already said that the child's household (the consumer in this case) has a strong effective demand for the education of their own children. To achieve efficiency, we have to permit choice. Just as in the market-place, we have to allow individuals to choose that quantity of a good at a price that is given to them so that they are able to maximize their satisfaction subject to their income and personal preferences.

The second factor is the supply side—the production of education. To achieve efficiency in production we have to get the greatest amount of output possible from a given amount of resources. We're in bad shape here because no one can satisfactorily define the output of education. We can see a Chevrolet coming off a General Motors production line. The output is obvious in this case, but what is an "educated student"—the "output" coming off the school production line? With respect to the efficient production of education, we need to examine alternative methods of producing education and determine whether we would expect production to more closely approach efficiency in one case as opposed to others.

To this point, we have said that the provision of education (just like the

provision of any other good we could talk about in the public sector involves two factors—the degree to which the consumers of the service can achieve a satisfying output in terms of quantity and price per volume, and the efficient use of resources in turning out those outputs that are desired by the consumers. This is merely supply and demand; in the private market, the price mechanism takes care of the way the outputs are financed. But in the public sector we have to have some method of financing the public service. And the choice of financing has an important role in determining how efficient the provision of a service will be with respect to the supply and demand factors discussed above.

A few more words on equity before discussing specific cases. Horizontal equity means equal treatment of equals. But that begs the question of how do you define equal. And how you define equal is a value judgment. You can see what I'm getting at when you start talking about equality of educational opportunity. Equal treatment of what? Equal treatment of students, well that doesn't tell you anything. Equal outputs, equal inputs, equal expenditures, equal achievement levels? Its very imprecise when you talk about equality of educational opportunity. We also have the concept of vertical equity, which is unequal treatment of unequals. How much more do we tax those with higher incomes, in other words. Those are unequal if we define equality in terms of income and usually we're talking about equals and unequals in terms of their incomes. It's generally agreed that that is the measure of equality that society wants to use. Now, let us try to briefly evaluate the present education system in equity and efficiency terms.

Lets look at consumer choice in the present system of education. An individual at a point in space on the landscape lives in a jurisdiction. By the fact of where he lives he is in a school district by definition. OK. What are the choices available to him, the householder, in respect to exercising effective demand for the education of his child? He is at a point in space and therefore a member of a school district. He may not like what the school district is producing and it is possible that either a very large minority or even a majority of the people may not like what the school district is producing, because the decision is being made through the political process in which individual demands do not get very effectively expressed. As a general rule, we can assume that in any school district the outcomes in terms of the quantity provided and the price charged is going to be in accord with the desires of the average voter. OK. I'm in a school district and I don't like what I see. I am faced with a spatial monopoly because I am told that because I am in this school district my kids go to school in a certain neighborhood. In many cases I can't even choose among the schools within the single school district.

But I do have some possibilities for influencing what is being provided in the school system that I don't presently like. I can try lobbying influence, running for school board, something like that, to attempt to get change through the political process. However, from the standpoint of any individual, the incentive to do that and the likelihood of significantly influencing outcomes may not be too great. That's one possible choice. But, we've got some other choices that

some people in society have always had and do today but which are precluded to other people. What are they? Well first of all, if I live in that school district I am faced with that school district. If I have the income, I can send my kid to a private school. That's a choice. And isn't that what the wealthy have always done? Did John Kennedy go to Public School 87 in Boston? No. The rich have always had the option of private school and they've exercised it—the implication being that there's a strong effective demand on the part of the individual and if you've got more income you've got more effective demand. And so, we have always given the choice option to the wealthy but not to the rest of society.

Now there's another option that is a little bit less severe than the private school, one that is available at least to upper middle income whites and that is to "vote with your feet." You're in a major urban area and you don't like the provision of education in your school district. Move to another jurisdiction. Right? Mobility is costly though; you have to sell your house, you have to move out, if you happen to be black it may be a real hassle in terms of discrimination in the housing market. If you don't have the income, you're not going to have the mobility to begin with and then when you couple that with the fact that we achieve a very high degree of income and racial segregation in this society through voting with your feet and engaging in what economists call fiscal zoning practices. Fiscal zoning is setting up zoning so as to attempt to attract some industrial tax base and high price housing. You specify high minimum setbacks, minimum front footages on lots, minimum square feet of space and it is impossible to build a house in a given jurisdiction for less than $40,000. Fiscal zoning does a beautiful job of achieving income segregation. And, to the extent that being a low income household and being black is more highly correlated in this society than being low income and white, fiscal zoning, even without any racial discrimination, could achieve a fairly high degree of racial segregation without attempting to discriminate on the basis of race, just on the basis of income.

So, in terms of choice I have to conclude in the present system that low income people get screwed. Higher income people have more choice; at least they can change jurisdictions and face another school system which may be more to their liking. But the only people who have a choice, and the only people who have ever really had a choice, are those who are quite well off—who can afford to send their kids to Choate, Philips-Exeter—places like that, because they have the complete latitude of choice. Now what I am getting to eventually of course, as you can probably see right now, is voucher systems. One thing to keep in the back of your mind is, if you're an opponent of voucher systems, and a lot of people are, that higher income groups have always had consumer choice. There are only two consistent policy alternatives—either let everyone have choice or deny it to everyone. To let everyone have choice certainly implies something much different than what we are doing right now in education. To let no one have choice means that we would have to outlaw private schools—make them illegal so that the rich could not buy private education.

In my opinion, those are the only two consistent choices you face. You may disagree.

We've talked about consumer choice and how a consumer must be able to get what he demands; he can't face an all or none situation, and be unhappy with it and call that an efficient outcome. Let's look at the production side. What have we got on the production side? We've got, to use a buzz word, spatial monopolies, don't we? Isn't that what a school district is? Its a spatial monopoly. One school system. Love it or leave it. You either go to it or forget it. There's no competition or choice within public schools within a given residential area. You're in that district and you are faced with a monopolist. Now we have some great big monopolies. And we have some smaller ones. We have two big ones in Atlanta—Atlanta and DeKalb County, both with around 100,000 students. The decisions are made up at the top for a hundred thousand students. And that's good size monopoly. No choice permitted within. No catering to the whims of the parents, differences in the desires of the students for various kinds of education or catering to their interests. What justification is there for public production? This is the point that, I think, has confused a lot of people. A lot of people think that production and financing are one and the same thing. They are not as we've already discussed. You can have financing through the public sector and you can have production through the private sector, or vice versa. Since monopoly does not permit choice to people and does not provide any incentives for efficient output—is there any other overwhelming reason for permitting monopolistic control of public education in this country? In most cases economists say that a national monopoly is justified if it evidences what is called decreasing cost conditions— That is, the larger the output the lower the average cost. At one time in this country, when this was a rural society a hundred years ago, population densities were so low that the best we could do in terms of a school was to build a one room school house and draw students from two miles around just to fill that up. It would have been ridiculous to permit competition in a situation like that because there wasn't a big enough market demand to permit two schools to compete with each other. They had a hell of a time just filling up a one room schoolhouse. But things have changed quite a bit since then. Today, in major urban areas such as Atlanta, an individual at a point in space (no matter where he resides say in the five county SMSA of Atlanta) is probably within five minutes transportation distance of many schools. Now, under situations like that it's difficult, very difficult, for an economist to justify a monopoly situation, because of all the probiems that ensue from a monopoly; consumers don't have choice and tend to be dissatisfied, prices tend to be higher, incentives for the efficient use of resources do not exist, etc.

Lets take a quick look at another aspect of a role for public education—that indirect benefits are assumed to exist. If these did not exist, there would be no economic justification for public intervention with respect to education. These indirect benefits imply that individuals, in making their choice for the education of themselves or their kids, will not take these indirect benefits into considera-

tion. And the only way you get those indirect benefits taken into consideration is, in essence, to lower the price paid by the individual so he'll buy more of this thing than he would if he was just looking after his own benefits. But, again, do we have to have monopolistic production to have those indirect benefits taken into consideration? We do not, because the method of financing is the tool that takes the indirect benefits into consideration. I'm only willing to spend $1000 a year for education and with that I can only buy so much if we had private production of education. But, I should get more education than that because of these indirect benefits, so what do we do? We lower the price by providing subsidies.

With respect to financing the only way that you can get these efficient outcomes is for the costs to be borne by those who benefit in proportion to how much they benefit. If a big hunk of the benefits are to the educated individual, then the individual should pay a big hunk of the cost. But wouldn't that exclude all low income people from any kind of education because with low incomes they do not have very high effective private demand? No. Because if, in terms of the analytics of voucher financing schemes, a low income household doesn't have a very great demand for the education of their children, and yet society has in mind some minimum standards, then that implies a greater subsidy for the low income kid. And what you're saying is that to be efficient vouchers would have to vary inversely with respect to income And approach zero at some level of income. In other words, a kid from a $2000 household may be receiving a voucher of twelve or fourteen hundred dollars a year; one from a $5000 household less than that and one from a $10,000 household maybe three or four hundred dollars while a $15,000 household receives nothing—they pay all costs right out of their own pocket.

Q. Didn't you a moment ago mention that in terms of low income families there is a demand by society? Is this demand by society construed as an indirect benefit?

A. That's right. That's what an indirect benefit is. The demand on the part of society for some minimal level of education.

Q. Are you saying that any household that does not have a member of that household in the education process is not going to be involved in the financing of education?

A. Yes they are, because they are members of society they are going to be financing that part of it.

Q. Where would you put the demand for an educated work force?

A. The demand for an educated work force is reflected in the fact that you get higher returns for a higher education.

Q. What about the corporate need for educated people?

A. That's why, as long as you bring it up, I find no justification for taxing business for education. You say, what would we do without it? Well its a big sham because businesses do not pay taxes. They may bear the initial burden but in terms of the ultimate incidence of taxes people pay. Business taxes are paid by consumers in higher product prices or by the people who own business in lower return on investments. Businesses don't pay taxes; people do. There's no justification for taxing businesses for education because if the benefit for a better education in the form of a higher income accrues to the individual, business pays him for it with higher wages.

Q. Why is it then that businesses will not come to a community unless there is an educated labor force.?

A. They want an existing labor supply.

Q. Well then they benefit from it?

A. But they pay for it. It isn't going to do some research-oriented company any good to set up shop in Engima, Georgia when there isn't a single Ph.D. in physics in the whole town. And even if they offered him a hundred grand a year, where are they going to find him.? They've got to have a labor supply somewhere within the area but they still have to pay the going rate for the skills hired.

Q. I wondered if it might help everyone here if you went on to the voucher system?

A. Well, what I was trying to do was to set up a straw man. This relates indirectly to a lot of comments that have been made today. I think that many of the proposals that are being put forth to meet the Serrano objections to various state aid formulas deny reality, in the sense that they assume there is no private demand. But, if private demand is important, there is the incentive on the part of the individual to do the best he can subject to the choice mechanisms available and those with higher incomes and those who are white have more choice mechanisms.

Q. Does educational choice have any effect on the student that presently drops out of high school?

A. How do we know if he can develop beyond the 10th grade level when he is faced with a monopolistic situation and isn't turned on by anything being provided by the school system? If he had a choice he could start learning auto mechanics in the fourth grade if that was his bag. I'm talking about choice and I'm saying it doesn't exist. At this point in time we cannot evaluate outputs of school systems—I defy you to define what an educated student is. OK. If that situation exists and we cannot identify and quantify the outputs of school systems today, we don't have the slightest idea of whether they're grossly inefficient or not. In the bigger sense, we may be spending way too much of our resources on education it's just that they're inefficiently utilized. But we

don't really know and we can't answer that question and so I'm suggesting that the second best alternative given our fantastically high state of ignorance is to provide some incentives toward efficient utilization of resources and that involves some degree of competition and not a hundred thousand students school system monopoly with some centralized bureaucrats deciding what is best for everyone. This is one of the basic choices. This is one of the basic hassles we are faced with, not only in talking about education, but poverty programs or anything; who can decide best what an individual wants? The individual himself or some bureaucrat? In other words, in poverty programs it boils down to do we give the recipient money or do we say, no, he's too ignorant, he'll spend it on the wrong things. We're talking about the same thing in education. Economists assume that the individual knows more about what he wants than some bureaucrat.

Q. You're going to be stratifying your social structure by the extreme choice that you're giving to each child and eliminating the paren partriae notion which currently permeates the enture field of education. You're not giving any leadership to this choice thing you're merely . . .

A. We're letting the parents decide.

Q. You've got to give the parents some kind of leadership.

A. What does leadership mean? We're giving them leadership now by shoving something down their throats.

Q. Well I agree with you but you are negating the enture system as it works now and going out in the other direction.

A. I'm looking at almost essentially two ends of a continuum. The only thing we can do to make the present system more constrictive than it is would be to outlaw private education altogether and then that would eliminate choice for everyone including the rich.

Q. Why do you have to view public education as monopoly? Why can't it operate as a democratic process if people are electing their boards of education, and voicing their choices—why would you have to assume that there couldn't be choices within the public education system. Why wouldn't it be the responsibility of the public education system to provide all these various forms of education so that there could be choice?

A. I don't know why, but it doesn't happen.

Q. But wouldn't that be the thing to work toward?

A. And I don't know how you could get it to work through the political system.

Q. Part of the answer to what she's raising is in a book recently out which talks about four characteristics that describe public education since its inception. Education as a bureaucrat, education as racist, education which is univer-

sal and education is publically supported. From day one in public education, these four descriptive variables have been consistent in education. Public education has always been conceived not as a democratic process . . . public education has been for poor people not the rich. Now it seems to me that there is another sort of parameter which runs through some of the discussions I have had the opportunity to sit in on and those are a kind of power which accrues to different social groups within a society and how those powers reflect themselves in consumptive choices at the level of investment. We need to get back and talk about static versus dynamic analysis where we include such variables as political power and its distribution within society. Where we include the ownership of that which is required to survive within society and how those dynamics effect and answer questions like why we have consumption and investment patterns which we are upset about now.

A. I think that one reason for it is that the distribution of political power and the distribution of income are almost identical. They coincide. And in economic terms the reason for that is, that information is costly—it's not free. And the average voter is ignorant can be easily swayed by those with the resources who can provide the information to sway the voter.

Q. Those kinds of things bear on the economic analysis that you've played out thus far.

A. We're talking about can a bureaucrat best make a choice for an individual or can that individual best make that choice for himself. Now it seems to me that the latter is more within our constitutional framework.

Q. But the parent is not making the choice for himself, he is making the choice for his child.

A. That's right.

Q. And he may make a very poor choice for his child that would not be the choice that the child would make.

A. So might the bureaucrat

Q. The bureaucrat may have more information than the child.

A. But does the bureaucrat have more information about the child than the parents have about the child. That's the guts of the issue. He may have. OK. We're in the value judgment realm. I can't empirically prove it one way or another.

Q. I'm not defending the present system, but I think we're going to the other end of the spectrum and assuming that everything will be better under a choice system.

A. This is certainly one of the public policy implications of the choice system; that you have to have better information. Essentially, today, we have no infor-

mation. There has never been any sustained attempt to evaluate output. Where are we today? Where you were talking about this morning . . . .

Q. Well, what about consumer knowledge of the poor?

A. This is a problem. Better knowledge, better information has to be provided. There's no question about it.

Q. Isn't that what education does?

A. Why are we so ignorant today? It must be the wrong form of education.

Q. That's why the wealthy are making the choices that you say they are making.

A. Because they do have better information.

Q. That's exactly the point.

A. What I'm talking about, if you want to talk about egalitarianism is should the rich be the only ones who have the choice or should everyone have the choice?

Q. In the final analysis, does the public have a differentiated product to choose from? Given the technology of education and what we know about how people really learn . . .

A. Well, we don't allow any experimentation except in private schools.

Q. But is it a differentiated product?

A. Well it is certainly perceived as such or we wouldn't have the wealthy . . . you gentlemen can't answer that and I can't either.

Q. But you're making a value judgment. You're saying that private schools are better than public education.

A. No, I'm saying that monopoly is never preferred in economics to competition except under the case of a natural monopoly situation. And that's all I'm saying. Monopoly is never preferred to competitive situations.

Q. Do you know how much variation there is in one school system? Even though you call it monopolistic and bureaucratic they are making many choices within that school system.

A. Where are they? We know that in the large urban schools today we allow choice for high school students, if they're willing to pay their own way to get to the high school.

Q. Do we have any choice besides voucher systems? There must be some other alternative.

A. Well, there's no way to permit individual choice without in essence making the household his own school district, thus permitting complete latitude of choice between any public production and any alternative private producers.

Q. The voucher system tends to be quite ephemeral. Here today and gone tomorrow. There must be some other approach.

A. Vouchers is a nice buzzword but really what we're talking about is the difference between the conditional matching grant for education to gov't. units—that's what state school aid is—and a conditional matching grant for education to the individual to use the grant as he so desires as opposed to having the gov't unit make the decision for him. They're both forms of grants of the same variety the only distinction to make is the grant to gov't. versus a grant to people.

Q. The thing that bothers me about that is that if I had a choice between the two, I would choose the public school system.

A. Well, I can't as an economist justify public production of this output.

Q. The rich have a choice and they can send their children to expensive private schools. Go with the voucher system and you're going to divide up whatever the amount of money available among the students within a given area.

A. Inversely with respect to income.

Q. So you got that guy up to a voucher worth a certain amount of money. Now he's not going to be able to take that money and go to that same private school that the rich person will be able to send his child to because that amount of money may be $4,000 per year. So the rich guy still has the choice of sending that child to the $4,000 school, and the poor guy . . . you can't make it comparable.

A. OK. This is where you get into all the trade-offs between how much in the way of control do you have to put on individual choice at the sacrifice of wider latitude of choice. We cannot permit complete latitude of choice because some choices would be anti-social. We'd get segregation academies, John Birch Schools, and what have you. So obviously there have to be some controls placed on them. Coons and sugarman have drafted voucher legislation which gives people a voucher inversely related to income and lets them have the choice between four different expenditure levels, letting the family decide how much they value education and how much they are willing to supplement the voucher and let them decide between those four levels of educational expenditures.

Q. The rich guy still has the choice not availble to the poor.

A. That's right. And the whole point is that I think that we have tried to make the school system the main institution for solving a lot of our social hassles such as racial integration and economic equality, but schools cannot achieve economic equality. If we do not like the fact that people with higher incomes have higher effective demands and can afford to spend more for education, I see no way to circumvent it other than to get at the basic issue and it's called redistribution of income. You cannot handle it through the schools. It's treating

a sympton rather than the cause. If you don't like the unequal education outcomes, and the unequal purchasing power among society—the political process has got to make a decision to achieve a more equal distribution of income. It's the only way you can do it. Because, I'll be damned if you can deny private demand. For example, look at full state assumption of present educational financing in the public schools. What's that going to do? No matter what expenditure level you choose, you're going to have a lot of dissatisfied people. Some people are going to say that we're spending too much and some people are going to say that it's not enough. Those people who say it's not enough are going to say to hell with the public education system, if they're not allowed to supplement expenditure, at the local level. And what choice do they have? It's called private schools. The only way that we could have full state assumption of public education financing and have some criterion like equal expenditures per pupil across the state or any set of criteria like that and not have that kind of an outcome is to outlaw private schools. You have to eliminate choice. You either have to eliminate choice for all or you have to provide choice for all.

Q. But you just proved that your voucher system is not going to provide choice for all. It's still going to provide greater choice for those with greater income.

A. It probably would. But look at the present system. The voucher system has some faults in it because these variables that I'm talking about have tradeoffs among them. I only ask you to compare the outcomes under a system like that with the outcomes under the system we have today which achieve segregation on the basis of income and educational investment, on the basis of income and race. If we've screwed up that bad maybe we should try another alternative. Maybe we can do a little bit better.

Q. But we don't know how great the outcomes would be if year after year public input had more power in any kind of organization. Less and less bureaucratic power in politics and in education and the public school system is organized to the point where there are smaller units of districting and more local input and more public input why wouldn't you then begin to get a better system with better output and more opportunity for choice with the local?

A. You would if that would happen. I don't have any personal faith in seeing that.

Q. Wouldn't it be more effective for everybody to get together and work that way than to just give up and say, OK we'll forget public schools and we'll work on a voucher system.

A. Well, that's a value judgment that society has to make.

Q. With regard to OEO experimentation in San Jose, Calif. area where they set up a series of mini-schools in California complete with voucher and presumably a great deal of differentiation between the schools and what happened, it

turned out to be on the basis of the consumer convenience approach and the majority of parents with all these differentials still send their kids to the nearest school.

A. But that experiment was like five public schools. No other choices, same system . . .

Q. I think this is indicative of the public approach.

A. Well, then how do you explain to me the behavior of the wealthy who have always had the choice?

Q. Different life styles . . . any sociologist will tell you that get rid of the kids send them off to boarding school so we can do what we damn well please . . .

Q. There are a couple of interesting experiments. One is in Minneapolis where four schools are grouped together, the community runs them, they've got a free school and open classrooms, a standard traditional school, and I forget what the other one is and they let the kids trot back and forth between them.

A. This is what we have not done in society is have any social experimentation to try other things on a small scale to see what the outcomes are and then implement them on a large scale. Once in a while in a crisis we get uptight and legislate a multi-million dollar program, maybe it flops and we say, well we tried. Instead maybe we should start off with a small experiment with a control and experimental group and try to set the thing up right and try to see what the outcomes would be under these various alternatives. We haven't done this and observers in HEW and HUD have been concluding lately that we should start doing that. The only social experiment really that we have had, that was of any magnitude so far, was with respect to the negative income tax experiments in Newark and what have you—trying to figure out the work incentives . . . different various negative income tax rates. But we need to do that with respect to all sorts of programs.

Q. Suppose we close the public schools . . .

A. Close the public schools? Well, you could put them up for sale. They surely have an alternative use. Some may be used as manufacturing plants, public school, etc.

The Future of Public Schools
ANDREW YOUNG

I guess that I am very much concerned with the things that you have been talking about in terms of school financing. But I want to go back and not talk about the details of school finance because I really need to be here with you listening and learning about some of this. The thing that I am concerned about though is that there will not be any school financing, so to speak, unless we can find a way to develop some public confidence in public education. After you get through with the details of what the best way of financing a school system is in a huge heterogeneous society such as ours, its going to come right back to the whole question of is it politically possible? And one of the things that I've noticed is that people are losing faith in public education. And I looked at that very closely and I remember a quote from Albert Camus who talks about when people become aware that awareness brings with it almost always a certain impatience. And the other thing that it does is that awareness is almost always retroactive. And so one of the things that we have to deal with is the fact that people now are upset about schools and about school problems but the nature of their upset may have nothing actually to do with what's going on in schools at all. Most of the people that I hear complaining about public education haven't spent two hours in a public school in the last 15 or 20 years. What they are complaining about is they're suddenly waking up to the shortcomings of their own educations. And they're beginning to be anxious about their own lack of preparedness in certain areas and they project their own educational frustrations on to the educational system of their children. Now, I'm a great one for that, because my mama was a school teacher and my wife's a school teacher and they both gave me so much hell that everytime I get a chance I want to come down on schools and educators. But when I am honest with myself and when I actually do spend some time going around seeing what's going on in these classrooms, it's amazing how impressive and how much difference there is in what's going on in the average classroom in Atlanta right now and the image that I have of public education. I should say that the most creative things and the most impressive things that are going on in public education are going on in your lower income schools. That they are not necessarily going on out in the Buckhead area or in your privileged schools—those are the people who have just kind of accepted the reputation of their schools and it was good back in 1920 so it's still good and because the kids are bringing so much from home with them, it doesn't show up that they are not getting very much from school. But when they did do a method of rating schools here in Atlanta that took into consideration not just test scores but the children's IQ, the parents income, the amount of education that the parents had and when they selected a list of about five—I think it was seven variables—and came up with a formula for what they call gain-rate effectiveness and you evaluate what's happening in schools and consider all of the social and economic factors

along with the test scores, then it became pretty clear that the most effective schools in this city of the ten most effective schools more of them were in the Model Cities Area than anywhere else.

Now that doesn't mean that the children in the Model Cities area are reading at the highest level. But say if you take Pittsburg, for instance, which twenty years ago was a stable middle class black community but which now may be mostly populated by people who have come to Atlanta within the last five years and the parents of many of the children that come into our schools in Pittsburgh really came out of a rural Georgia or Alabama background and when you think of what's happening in those schools the answers that you come up with are not nearly so disturbing as one would think from a distance. And so, one of the things that I am concerned about is how do we improve the image of public education? How do we get people to have a new confidence in the school system? So that instead of complaining about it they begin to, as we say, accentuate the positive, which was a song when I was growing up. And when you accentuate the positive that's probably the best way of eliminating the negative.

Now, let me just go back a little bit and say what I am talking about. Schools never educated children and until now they never had to. I was not educated by a school—I was educated by parents. My grandmama made me read the Bible to her in the morning, then the newspaper because she was blind—that's how I learned to read. I goofed off in school. All I learned in school was how to cuss and how to fight and how to run and shoot dice and play poker—they weren't smoking pot then in the schools they were doing that on the corner across the street from the school when I was growing up and so we didn't mess with those kids very much but, now, that was a valuable part of my education. I could learn about life in the public education system because my content was being taken care of largely in the home. Most of us learned our values from other people outside of the school—the church, the Y, folks use to just mind other folks' business in a coastructive way when we were growing up. If I got into any kind of problem and was doing anything I didn't have any kind of business anywhere in that town, word got back to my mama before I got home. Because people had lived in a stable community for generations and the whole community was the educational process. Now what went on in the classroom was just one small part of that whole equation.

Nowadays the classroom has got the total burden because whether poor America or middle class America or rich America, people live in the same neighborhoods very seldom more than four years. And the kind of instability that exists in most American neighborhoods means that there is no supportive community to carry on the education process in addition to the schools and so in the absence of that supportive educational process from the community all of the burden of what used to be done by thirty or forty adults now falls on one or two teachers in a classroom and there's no way in the world that they can possibly do it all. So, one of the things I see us having to do in developing a school system that we can have confidence in is to involve more adults in it.

I'm a believer in what was happening in the Ocean Hill and Brownsville area because I saw it. Now I don't know what the teacher's union was talking about and I don't know what the New York politicians were talking about, but I saw two things one morning in the snow that convinced me that something good was happening there.

The first thing was there was a black woman who weighed about 300 pounds sitting in the doorway and when the kids hit that doorway fussing and fighting she didn't lift a finger, she just cut her eyes and when she cut her eyes they slowed down and quieted down. What was happening was the authority from the community was brought into the schools. And so the young college graduate teachers whether they be white or black didn't have nearly the struggle with those kids in the classroom because the community authority was expressed to them before they got into school good. Another thing that happened was that it snowed that day and in that school there were many, many kids in the kindergarten and the first grade who had just come up from the South and from Puerto Rico and had never seen snow before. And it looked like—it sounded like—the whole kindergarten was just going to go into pandemonium; they were screaming and crying, it was like the end of the world was coming because they didn't know what was happening. And there was a black man who may have been fifty-five or sixty years old who was kind of in that school as a—I think—a grandfather substitute. All he did was get a cardboard box go outside and scrape some of the snow off the tops of some of the cars and bring it in the classroom and talk to children about snow. Now in two adults you had two things that are missing in most public school systems—you had the authority of the community and you had the love of the community. And I think if the teachers can share in the authority of the community and the love from that community it would immeasurably strengthen the public school system.

Now, there are other things we've got to do here in Atlanta and I don't make any bones about it. I don't like busing and I hope we don't have a Richmond-type decision because I see a Richmond type decision in busing as simply taking control of the school system that we are about to take possession of and putting it back in the hands of suburbanites. This school system now, the faculty is about 57% black. The administration is just about 50-50. I think that black people and the white people who have chosen to work in the Atlanta school system are probably people who want to live in the city and who love the city and who are really—I think of black folks as being your most authentic urban dwellers. We are people who have a love affair with the streets. Because the rural life never held any great glory for us, we wanted to get off that farm and out of those cotton rows just as fast as we could. And we were trying to get to the corner because that is where it's happening. And so the black community has traditionally carried on a romance with the streets. And if you want to find out what's happening in this town—I don't care what your educational or economic level is—you've got to walk down Hunter St. or Auburn Ave. at least once a month. And most people who stay in touch with what's going on, even though they have barber shops and shoe shine parlors and anything that they

want to get they usually go down in the bottom. Because that's where they keep in touch with what's happening—that's our university, the university of the streets. And if you really want to know what's going on, when Sam Massell appointed Chief Inman—I asked a few lawyer friends of mine about Chief Inman and nobody particularly knew him, I asked some policemen about Chief Inman and noboby knew him; I went down on Auburn Avenue and I got the lowdown. Now if you want to study sociology in the city, don't come here—they are reading sociology from secondary sources. If you want to learn sociology, you come to the corner where the primary sources will give you everything but the statistics. Now what I'm saying is that because we are a people who have had that kind of love affair with the streets and are not afraid of the city, we see the city as an exciting and challenging place. If there is going tobe a system of urban education emerging it's going to be from people who love the city and people who are not afraid of the problems of the city, and most of all from people who understand the children of the city.

You see, when you take a young lady from the U. of Ga. who has grown up in Ludowici or Milledgeville, and turn her loose here in this school system, or even somebody who grew up in Sandy Springs and went to Agnes Scott and you bring them here, they don't realize that that little boy who is ten years old has already gotten his masters in sociology. You see a masters degree in sociology over there at the Atlanta University School of Social work is two years of reading. Well, at ten years old he's been in the streets living for four years and the same thing that I've said about the brothers from Auburn Ave. In fact when Dr. King used to go into a community to try to organize demonstrations when we really wanted to know where the power lines were and who the decision makers were, who the real people who made things happen in that city were, we would most often go to the kids because they could tell you who was selling liquor after dark and they could tell you who they were paying off to do it. They could tell you who was going with who, they could tell you where to buy anything you wanted anytime, they could tell you who collected the rent on these houses and they kind of had a feel and an understanding of the urban environment even at ten, eleven and twelve years old that was highly sophisticated. Now, when you come to try to treat them like little children and give them the same old Dick and Jane type of stuff we had when we growing up, you're going to miss them altogether; they are turned off and bored.

So somehow there has got to be an urban education system that's going to have to relate to those children. And I think the best chance of doing that is for us to have a few years here in the Atlanta system to create an urban education model. Now we are working on it and there are some good things. We were looking around for a school for our children and began to really do research and really to understand what is happening in these various schools, the two elementary schools that we came up with that were generally agreed to be the best (and we had a choice of anywhere in the city almost) were Pryor St. School and East Lake Meadows. Two schools in the heart of black ghettos. The other ones you might get also are in some of those areas. The school out

near—what is it, Finn(?) School out near Perry Homes, is one of the schools that has begun to have children reading at grade level. And that requires a special amount of work. I'm saying that what we have to do is find out what is working in these situations and why and begin to point it up and be proud of it and not always knock everything that's wrong. Not that it's not wrong, but I'm worried right now about the problems of financing a school system two or three years from now. With more and more people thinking that they are going to have to put their kids in private schools, its going to be harder and harder to pass a referendum to get any school funds. No matter what kind of tax plan comes down from Washington, it's going to be terribly unpopular. And in order to sweeten the pot and get a few more votes, you're going to find that we are going to have to do things like accept a kind of voucher system to let people go to parochial schools or private schools all of which ultimately might contribute to the disruption of the public education system rather than to the building of the education system.

So, I see the public education system as somehow our future. I think we've got a couple of years while the school financing battle is being fought to begin to build up our school system. I don't think Dr. Letson is going to do that. I don't think Brother Nix is going to do that across Georgia. They are not basically concerned about that; they are administrators and they are going to be pushing paper clips regardless. But there's nothing standing between a teacher and doing something very creative with those pupils. And somehow we've got to get that message across and then when we begin to do something very creative we've got to learn to publicize it and show what a good thing it is. We saw this happen at the Downtown Learning Center. Everybody's saying it's hard to integrate and once a system becomes all black it's lost. Well the downtown Learning Center in this city started out as all black. It was designed and developed for black high school dropouts. But when the word spread that the most creative secondary education in the city was going on there, in a matter of just a few years time that center is now 70% white. And they are trying desperately to keep it from becoming all white in spite of the fact that it is in the heart of the black community, it's one of the most broken down schools in the city, and you look at it from the outside and anybody would be afraid to have their children walk through that neighborhood to go to that broken down place. And yet, inside students are signing performance contracts, they are learning what they want to learn, they are doing the things that inspire them.

My daughter spent a summer there and I didn't even know what she was interested in and she went down there and they asked her what she wanted to study and she said she was interested in Shakespeare, Black History, Political Science, and Journalism. So they wrote her up a contract and they gave her an advisor for each one of those and turned her loose, sent her down to the Atlanta Journal for one day a week and in a matter of six weeks in the summer time she probably did more work than she had done in her last two years of high school put together. Because it was what she wanted to do and it was work

in conjunction with a group of people who were not trying to pour knowledge into an empty pitcher but who were trying to develop her own sense of learning and her own sense of ability to teach herself. I think we can do that same sort of thing with a foreign language center. I'd like to see somewhere in this school system a foreign language center where anybody could become fluent in a foreign language in a semester. If Berlitz could do it there is no reason we couldn't do it in a public education system. And if you develop a system like that you wouldn't have any problem integrating it. In fact the problem you would have would be how to keep enough spaces in it for black folk because not only would you have white students coming in there, but you would have some of these white businessmen from these companies who are now beginning to do business in Brazil and Jamaica and other places, coming into a nice foreign language program, because as a young man from C&S Bank told me just last month, he said all of a sudden they called me in and they gave me a responsibility for Brazil and Argentina and I got to find some way to learn Portuguese and Spanish right quick.

Now, Atlanta is becoming an international city and somehow I think that has got to be reflected in our system of public education. If we begin to build up the kinds of things that an urban international education requires, I think the problems of school funding will be immeasurably lessened. In addition to your complaints about the school funding and bemoaning the problems of public education I think we ought to celebrate some of the accomplishments, few and far between though they may be, because I think it's as we build up our confidence in our ability to train children that people will begin to see that the least expensive investment you can make is the investment in educating a child. We may spend at the most a thousand dollar a year on a child's public education. If we were doing that it would be great—we're probably doing somewhere around four or five hundred dollars in Ga., I think. But if we were doing a thousand dollars even that's so much cheaper than what it would cost if it were the three thousand dollars it would cost to take care of that same child in a reform school. Or the $18,000 it might take to keep that child in a federal penitentiary if and when they begin to be so alientated from our society that they have to be incarcerated. So public education and the financing of public education is one of the most valuable investments we can make in this society and I hope that you at this conference will give us some guidance and some enthusiasm to go on and develop the kind of school system that nobody will have any complaints about financing. Thank you very much.

Public School Finance In Georgia
CYNTHIA BROWN

When James Mays was talking about the program for this conference he described this panel as being the practitioners, and in many ways I feel that I'm the only one here who is not a Ph.D. theorist or lawyer. I will explain a little bit about what the Washington Research Project is and does, and then add two points to the education finance discussion we have been having the past two days. I think these points raise issues that affect education finance but I do not have any solutions. I just think that they are things which should be taken into consideration.

The Washington Research Project is a public interest law firm and research group that focuses on the monitoring of federal programs particularly as they relate to minority groups and poor people. It was established through Clark College, as a matter of fact. Actually there are two organizations, the second being the Washington Research Project Action Council which is a lobbying organization. It is not tax exempt, and employs a registered lobbyist. The Washington Research Project is unique in having this lobbying arm, and therefore, we do a lot of lobbying for other civil rights groups and public interest groups that do not have a lobbying arm. We often do this by bringing together or joining coalitions of other groups.

I work for the Washington Research Project in the area of elementary and secondary education and I have for years, my whole professional life, worked in the area of school desegregation.

As I said, I wanted to talk about two different issues which have not been brought up in the discussions we have been having for the past two days. John Silard said last night that the move to provide tax credits for private schools and to establish voucher systems are attempts to undermine the new drivefor equalization and are threatening our whole public school system. Here in Georgia this situation is already developing. It may not be quite as relevant in the Atlanta area as it is in south Georgia, but I would maintain that any kind of restructuring of the financial system in Georgia has to take into account the growth of segregation academies.

In the rural parts of Georgia desegregation took place in the late 60's and particularly in 1970 when the statewide school desegregation suit went into effect. In 1970 there was also the wholesale establishment of private segregated schools as alternatives for education for whites. For example, in 1969 in Georgia there were 159 private schools. A few of these were long established private schools that may be all white, or in the Atlanta area, may be desegregated. In 1969, these 151 private schools had 34,000 students; in 1970 the number increased to 224 private schools with 50,000 students; in 1971 the number grew to 269 schools with 68,160 students. Only 5 percent of the Georgia school enrollment is in non-public schools, but in places where these schools do exist the threat is much greater than that 5 percent would indicate. There are parts

of Georgia where public schools are practically going out of business. Let me give you two examples, that I personally have examined.

The first is in Sumter County, Georgia, which is the county that surrounds Americus. The Sumter County Public Schools have a 7 member school board, which is all white. Six members overtly support the private segregated schools of which there are four in the area. The Sumter County School Board has lowered the tax millage from 20 mills to 12 mills in order to drive whites from the public schools and to ease the financial burden of parents with children in private schools. There is a suit, with which Governor Carter is involved, challenging the election of these school board members on the grounds that their election violated the one-man-one-vote principal. However, the Federal District Court Judge did not buy this argument and the case is now on appeal to the Fifth Circuit Court of Appeals. In Sumter County there is still some hope for the public schools. Even though the tax millage has been lowered, there are still some whites in the public schools and there is leadership from middle class and upper middle class whites in trying to maintain the public school system. But blacks are practically at the mercy of whites in Sumter County because they can never obtain a voting majority. If the suit is not successful and if people like the Carter family stop supporting the public schools, blacks are going to be the nly students in the public schools of Sumter County and education services are going to be cut even morethan they already have been cut.

In Terrell, which neighbors Sumter County (the county seat is Dawson) there is an even worse situation. Over 90 percent of all white children attend Terrell Academy which is a beautiful new plant, located on a lake. The school is totally paid for. The seven school board members are all white and every single one of them sends their kids to Terrell Academy. Merchants in Dawson are assessed to contribute to Terrell Academy. It has an IRS tax exemption. A lot of people get excited about that, but I maintain that even if IRS were not to give tax exemptions to these schools, these schools would not be hurt. There is so much wrong in this country today one should not waste his efforts on IRS; even if he won that battle, it would not have much effect.

Terrell County is about 80 percent black and yet black voter registration is very, very low. The State of Georgia must face the reality that blacks in Terrell County are not going to vote out that white school board in the immediate future. Any black that has challenged the system in Terrell County has been run out. When we were there interviewing, we literally could not identify one black person who was going to really challenge the system. It was too repressive, and I do not think it is going to change very fast. Such a situation calls into question ones whole belief in democracy and "voting out the rascals."

Since practically all the white students n the county attend the private academy, the School Board has not reduced the millage. But they are talking about turning the Terrell County public school system into a vocational school system thereby denying blacks any opportunity for any kind of higher education opportunity. I do not know how Georgia is going to deal with this problem, but I think all of Georgia and all of black Georgia particularly, has got to be concerned with what is going on in these rural counties.

Q. Do segregation academies get any state aid?

A. No, not in Georgia, except they get state aid in the sense that they get property tax exemptions.

I wish Mr. Atherton was still here because I wanted to ask him about Sumter County where they have lowered the millage. Apparently you have a minimum tax effort requirement in Georgia, but I imagine most school systems have a greater effort than the minimum. I don't understand how Sumter can lower its tax millage.

Q. Well if you would like the statistics from Terrell County these are the latest that I could pick up, 1970 and 1971. Of its total M and L for public education, Terrell County is paid by the state for 56.4 percent. Sumter County is paid 52.6 percent and its local effort rate is 28.5 percent. . . .

A. Of course the Sumter County School Board would not care if it were penalized with loss of state funds for inadequate tax effort.

Q. . . . All of the blacks are going to die out and the younger ones are going to come to the cities. . . .

A. Well, in the Sumter County area, blacks can move into Americus. Americus has an appointed school board. Believe it or not the appointed school board works to an advantage in Americus because it is appointed by the City Council, and the Councilmen are public school supporters. But the banks in Americus are having a windfall. They have set up revolving loan funds and are practically subsidizing private schools.

To return to education finance for a moment, full state assumption of educational costs could possibly help places like Sumter County if the per pupil expenditures were leveled off and tax effort was not taken into account. Power equalizing or matching dollars in terms of the effort of the local community would offer no hope for Sumter County because it will have a very low tax effort. The school board would not be interested in raising the tax effort even if it were going to get proportionately greater state funds.

The other subject I would like to discuss is some of the federal legislation that is being considered in the area of education finance. This is something we really have not talked about, and it's something that we at the Washington Research Project are going to be very involved with over the next two years. The real question at the federal level is whether we are going to continue to provide and indeed increase the constribution to education strictly through compensatory education money, Title I of the Elementary and Secondary Education Act, or whether we are going to have an additional federal input to education through general aid. Next year the Elementary and Secondary Education Act (ESEA) comes up for extension. There is a one year grace period allowed so it will probably be a two year federal aid to education debate. However, when the ESEA is considered in both the Senate and the House, general aid proposals are going to be introduced. We already know what three

or four of the general aid proposals are going to look like.

There is going to be a major education finance debate at the federal level, but it is going to be quite different from what we have been talking about here for the past two days in terms of state finance. There are several forces at work in this general aid debate. First of all, there are the folks who attack Title I and say there is no evidence that compensatory education programs work. They are probably going to site the Washington Research Project and the NAACP Legal Defense Fund study that pointed out problems with administration and enforcement of Title I of ESEA. People often hold up our report and say, "well you said Title I doesn't work." What we said was that we believe in the principles of Title I and that we think it is a necessary and vital program, but that it has not been given a chance to work. We showed that the money was not getting to the poor children at whom it was aimed. The Washington Research Project, another force, is going to be defending Title I and urging that it be strengthened as well as fully funded. There is a $6 billion authorization for Title I but Congress has only appropriated $1.6 billion of that money—less than 1/3 of what is necessary and authorized.

A third force, big city educators are going to argue for the continuance of Title I because their school systems are so strapped financially that they will take any money available. Whether it is categorical or not, or whether it goes strictly just to poor kids, they have got to relieve some of their financial burden. I think that argument is going to be what saves Title I, but the real question is whether we are going to just save Title I or whether we are going to be able to build an increase into it. There are people who are arguing for general aid, which might spread money equally on a per pupil basis, that want to dilute the effect of Title I.

A fourth group at work are those pushing for property tax relief. Even though we have heard much discussion in the past two days that it is the inner cities which are the hardest hit by taxes, expecially when you consider non-educational taxes and the total municipal overburden, the people who are yelling the loudest about property tax relief are those who represent suburban interest. They only focus on property taxes for education since a higher percentage of the total tax bill in the suburbs goes to education than does in he inner city. But in the suburbs there are as many other demands on the resources. These same people who are yelling about property tax relief (Congresswoman Edith Green, for example, is a primary one) disregard the urban cost differentials for education. In any formula that they devise they would just distribute money on the basis of tax effort and ignore municipal overburden, ignore the higher expenditures in cities where $2 buys what $1 buys in the suburbs.

A fifth force at work involves a somewhat northern-southern bias in the sense that high expenditure, big industrial states with higher costs of living and higher expenses are not very interested in equalization among states. This is going to hurt the South. The fact that you have a lot of powerful committee chairmen from the South may, for once, work to the advantage of poor people in the South in that they may be able to build into the formula some sort of equaliza-

tion among states. It would be a distribution formula that would probably look at state income. However, that can be misleading if it does not also take account of state tax effort.

Another force at work will be the effect of the *Rodriquez* decision. Assuming the Supreme Court rules favorably, the Supreme Court is not then going to allow federal aid to be distributed in the same inequitable manner that state aid was distributed. Federal aid formulas may have to build in some sort of equalization distribution formula within the state. All these general aid funds, by the way, are going to go through the states. As much as those of us who have worked in the area of education as it concerns poor people like federal categorical programs, that is not where education legislation is going. Education is going to become a stronger state function. We might as well try to tie as many strings as we can to the state distribution of those funds and to the state enforcement of certain requirements rather than try to defeat any kind of aid funneled through the states. We just are not going to get a federally run education program in this country.

The final force at work is the fact that the Administration wants to hold down expenses, and it may not back any general aid bill at all. This is a problem because it is going to force every group that wants general aid or more education funding to work together and compromise to form a unified position. Most groups, other than the federal government, believe that it is necessary for the federal government to assume 20 to 30 percent of the costs of education. Groups on the outside will be forced to work with each other if they are going to offset the administration. This is going to be harmful because it means a lot of trade offs will be made, and a lot of uneasy coalitions formed. It is possible that if the Administration ends the war and has some extra money (I do not think they are going to close any tax loopholes) it may come up with a general aid proposal. However, the predictions in Washington are that they are not going to come up with one right away.

Another consideration is to what extent are these general aid bills going to take into account the extra costs of urban school systems. Senators Mondale and Stevenson's bill would, theoretically, provide some federal recognition of these urban cost differentials. If John Callahan were here he would argue that Georgia could afford to level-up without federal aid; he can explain it and I can not.

One important requirement built into Title I is comparability. Comparability is very important when one is talking about pockets of poverty which is the theory under which Title I was developed. You are not providing extra services for poor kids if you are putting federal money into equalizing poor schools with better schools. That is something that the local school system should be doing under the 14th Amendment. At least its contribution to each school should be equal.

Another important Title I requirement is concentration of funds. But, the concentration concept breaks down somewhat when you consider the large urban areas of today. Between 1965 when the ESEA was passed and 1972

perhaps as many as 20 or 30 big city school systems in this country have become majority poor. Many of them are majority black, but the number of poor children in any city is even greater than the percentage of minority children. In such districts concentration may be less relevant, particularly if the school system is in serious financial trouble. When the use of Title I money for general aid is prohibited in a 70 percent poor school system like Baltimore, Maryland, this may be foolish because any kind of general aid is really helping the poor kids. And what happens in Baltimore? It has had an increase in its budget every year for the past few years, and yet that increase has been more than eaten up by teachers salaries, insurance, security, maintenance and construction costs. Every year it has had to cut back its provision of basic educational services. To require concentrating Title I funds in the poorest of the poor schools in Baltimore means that other poor schools, Title I eligible schools, just keep slipping more and more because they are having to cut back on their educational services. I am not so sure that when you have a certain level of poverty in your school system, say 60 to 70 percent, that you should not give the superintendent a certain amount of flexibility on how to spend that money. If there is no increase in federal aid and no increase in state aid, maybe we should be using Title I to maintain the status quo in our lower income schools. I am not sure about this yet as a recommended change in Title I, but it is something to consider.

Not all cities are majority poor. Boston is not. I do not think New York City is either. Where the poor are still in the minority I think you have to continue all the protections of Title I and make a distinction between Title I and general aid. I would like to see Title I strengthened and continued and increased. I also would like to see any general aid formula take into account both need and cost differential factors. And we can not just aim for equal per pupil expenditures, because that is going to favor the kids who come to school with a head start anyway.

Q. I agree with most of what she has said but I want to enter a very strong dissent on one point. I think you have probably seen a good many southern school systems, but if I heard you right, you said there are some that you haven't seen. One man who stands pretty high among the Mississippi school superintendents, is the Superintendent of the Clarksdale school system. He had said in numerous speeches before rotary clubs "The reason that black people don't have the same intelligence as white people is that the shape of their skulls precludes the growth of that part of the brain in which intelligence resides." You do not want to give him more flexibility and discretion, do you?

A. No, I agree with you completely, and I know that Clarksdale is a majority black and a majority poor school system. I agree 100 percent.

Q. You said that federal aid was never going tobe subjected to the kinds of discrimination that occur on the state level?

A. Oh no, I said the Supreme Court, if it rules favorably in *Rodriquez*, will

not let the federal government turn around and do what it has just outlawed the states from doing. And so any kind of federal distribution formula is going to have to take account of the equalization problems that we have been talking about on the state level for the past few days.

What I am saying is that those of us who have been against federal money being administered by the states through the state departments of education have got to reassess our positions. We do not have the votes anymore to have federally run programs. Title I has already been amended so that it goes through the states, and I believe that now we must think in terms of how many strings we can tie to the states. We have got to think about what kind of federal requirements on states we want so that states have less flexibility to discriminate and abuse the money.

Q. In your report on Title I, was any attention paid to the responsibility of Title I people to monitor the usage of approved items . . . ?

A. That is a whole other area. First of all, our report was done before parent advisory boards were required as part of Title I. Our report was done before I was at the Washington Research Project, as a matter of fact; it's about three years old. But I feel that parent advisory committees are never going to work until funds are provided for them to hire some staff to study their local school budgets. Liberals are living in a dream work if they think that people who are concerned with their own physical survival, who are working at low income jobs for long hours, who come home and try to keep a family from the destruction of our inner city neighborhoods, have the free time to volunteer to serve on a parent advisory committee like good white middle-class suburban folks. To believe that is so cynical. What I am saying is that the community has to take on a monitoring role, but I think we have to give it the tools to do it.

A Challenge of The Property Tax As School Finance
THOMAS E. CAUTHORN, III

I think it's best by way of introduction to state that my function is rather limited in that I am going to have to be dealing with the Constitution of the United States and the Constitution of Georgia and in that my presentation covers our case we have in the federal court here in Atlanta, therefor I can't consider all the vast array of things that may come to your mind when you think about educational finance, because the courts of this nation, be they good or be they bad, don't take into account all the undefinables that the average citizen thinks of when he thinks of education.

The posture that we are now in in the Northern District of Georgia, Atlanta Division, before a three judge panel is that of intervenors in a main action that has been instituted by some taxpayers in Whitfield County (the county in which the city of Dalton in north Georgia is located). These taxpayers have a very specific problem: Everytime commercial property is introduced into the Whitfield county area it is usually introduced near the city of Dalton. The City of Dalton promptly annexes this new commercial property and increases its tax base therefrom and the county of Whitfield is left holding the bag in that the citizens who work in that plant reside in the county of Whitfield and go to school there. These citizens want the funds now used for education redistributed on an equitable state-wide basis but they don't want to change the source from whence these funds come, i.e., the ad valorem property tax. We represent a taxpayer in Fulton county, a taxpayer in the city of Atlanta, a taxpayer in Telfair county and a taxpayer in Forsyth County and others similarly situated and also students in Fulton county and Forsyth County. Our basic claim is against the State of Georgia. We claim that the property tax in Georgia, and for that matter anywhere else but we are particularizing Georgia, can never be applied uniformly. It can never be applied within the confines of the 14th Amendment, particularly the equal protection clause of the 14th amendment, and on that basis we don't feel that the taxpayers in Whitfield County are going to adequately represent our position because they are satisfied with property-tax; they think that it is a fine source from which to finance education. We feel that the State of Georgia has been severely limited in its imagination in finding new areas of tax resources. We think that there are a lot of areas that the State of Ga. can tax, both progressively and regressively in order to finance education, particularly the area of income tax. The state income tax in Georgia could be increased, and the sales tax could be increased, either in conjunction with one another or independently of one another, to take up the entire cost of educating a child in Georgia.

We're basing our claims upon the U.S. Constitution, the 14th amendment equal protection clause, and also upon the Georgia Constitution. Those of you who heard Mr. Silard last night, will remember that he said that some attorneys in bringing their suits in the 40 odd states in which suits are pending have

predicated their claims both upon the Federal Constitution and upon the State Constitution as the California court did in Serrano. We're using the Georgia constitution because, we are afraid of what the U.S. Supreme Court may do in the 14th amendment area, as I think most people are who are trying to use the 14th amendment for anything in this day and time, and we want enough of our court's decision to be predicated upon the Georgia Constitution in order to preclude any sort of reversal later on if they should rule in our favor.

Now, the Georgia Constitution identifies education as a state responsibility. It says, in capsule, that every Georgia child should be guaranteed an adequate education and that this shall be a "primary responsibility" of the State. We feel that the state of Georgia has abbrogated this responsibility to the various counties and independent school systems particularly Fulton, the City of Atlanta, Forsythe, Telfair, and the districts of the other taxpayers and students whom we represent. It's also interesting to note that we identify education as a "fundamental interest," and from our point of view this is vital to our case because it throws the burden upon the State of Georgia of demonstrating that the state has some sort of compelling need to finance education upon property taxes which vary from district to district; a classification which is based upon wealth and a classification which is not equal in any shape form or fashion throughout the state. We think this is vital because it eases our burden of showing the inequities in the system. The Georgia Constitution identifies education as a "fundamental interest" for Georgia children. We're not dependent upon the U.S. Constitution to support our position, the general assembly did so in 1945, and, we are very grateful to them for that. Also, in the classic case in 1954 of *Brown v. Board of Education of Topeka, Kansas*, the U.S. Supreme Court in part of its dicta, and that case was permeated with a great deal of dicta, said that it could find no function of the governments of the various states which was more important than providing an education for each child in those states. Now, if that isn't saying that education is a "fundamental interest," then, well, I don't know what is. It's not a "fundamental interest" in the sense that voting is a fundamental interest, in that it is not particularly identified by the United States Constitution, but we think it has become so by federal court decisions and the wording of the Ga. Constitution.

We assert our claims on a very broad basis. The first of these is that the Minimum Foundation Program of Education Act in Georgia, as it is applied, and as it is funded by the so-called Equalized Adjusted School Property Tax Digest, which is contrived and established by the state auditor, results in a palpable denial of equal protection because the same criterion cannot be used from district to district in order to arrive at an equalized, adjusted property tax digest because much equalization is impossible. We have a statement from Mr. Ernest Davis, who administers this program, made to a Joint Committee of the General Assembly last year (finance committee) stating in his own language that the tax system is not equalized, that it could not work and that for educational purposes it could never equalize property tax. So I think that with that broad claim we've got good ground to stand on. Also, we find that

across the State of Georgia, the chargeback or required local effort, which you all have become familiar with from the presentations today, varies by more than 36%, from county to county and independent school district to independent school district. Our answer to this, is that such a result is a palpable denial of equal protection and that it just can't be allowed to continue. The wealth criterion that is being used is vital because the students' education in different districts, is predicated upon the wealth of their district. Now the Georgia Constitution identifies an adequate education as a minimum education. What the counties see fit to do and the cities see fit to do above this minimum education is their own responsibility. We feel that since this responsibility of the different districts to meet their own independent priorities is going to be on a one-to-one basis effected by the wealth of the individual district, then the "fundamental interests" of these students are unconstitutionally effected. I'm trying to paint this thing with a broad brush because I don't want to get too specific in discussing our claims because, quite frankly, we don't have real specific claims; we haven't even gotten into court yet. But, to move on, as I noted, the state constitution identies taxpayers and students as a class. This we think is vital to our case because it varies on a county to county, and city to city basis. The claim of the state of Georgia is that we can't contest this enrichment fund that the individual school districts have or don't have, this amount above the minimum foundation program; Because such enrichment funds are not provided for by the state; the state law doesn't set them up, and the state doesn't enforce it. We say that the equalized adjusted school property tax digest, that I referred to earlier, which Ernest Davis sets up statewide and enforces, constitutes state action and effects the enrichment funds. Take for instance the 159 counties in Georgia and the various independent school districts, in not one of those school districts did anyone come up with a tax digest that Mr. Davis and his cohorts thought was adequate. So they raised those digests to a degree that they thought would reach the 40% assessment value that all the property in Georgia must reach as a minimum. This went above what the individual counties had projected for this upcoming fiscal year as to just what amount they would have to provide of this minimum foundation program. Their chargeback is roughly 15% of the minimum foundation program, so, as their tax digest was raised, that meant that their portion, or their cost of that 15%, was raised. That meant that their enrichment funds which they had projected in their school budget for this coming fiscal year was proportionately reduced to the extent that their required local effort was increased. Our claim is that state action is involved here and that the State of Georgia is very actively involved in the enrichment area and from district to district, that the individual citizens in these counties are not allowed to set their own priorities. We think that this is unconstitutional because it does vary from county to county and from city to city and members of the same class are affected differently.

We have several other small, subsidiary points. One of these is that the State of Georgia uses two methods of computing property tax. One, they use the

equalized, adjusted school property tax digest for school tax purposes, and two, by law they use the district's own tax digest to compute the 1/4 mill statewide property tax. We think this is unconstitutional in that in raising the same type of tax, the state is using two criterion, and we think that this is an admission on the part of the state that these taxes are not equitable statewide. Also, in the counties like Fulton that have an independent school district there's a 1/3 pro-ration factor which enters the picture, where the citizens of the city of Atlanta are penalized merely by virtue of the fact that they live in an independent school district. Part of their tax effort is going to the county indirectly in that Atlanta's required local effort is increased proportionately by that 1/3 pro-ration, put very simply. We claim that this is unconstitutional in that there is no rational basis for this; the only rational basis for it being that there are more rural legislators in the general assembly than there are urban, and therefor they put this 1/3 pro-ration in the Georgia law. Thus, we have very broad equal protection arguments, and, we've got some due process arguments in that in some counties in Georgia the Board of Education is appointed by the Grand Jury. The Grand Jury in turn is appointed. The Boards of Education recommend the tax levy to the County Boards of Commissioners and the County Boards of Comm. by virtue of the Georgia Constitution are required to assess that levy recommended to them by the Board of Education. They have no discretion in the matter. Therefore a very vital, threshold discretionary decision on the part of Georgia citizens is being made by Boards of Education which are appointed, not elected; they're not responsive to the ballot box—the only person they are responsible to in the final analysis is the Superior Court Judge who appoints the grand Jury, which is a very poor responsiveness in a democratic society. We feel that this is a denial of due process and we feel that it is also a grave denial of equal protection because some counties pursuant to local amendments elect their Boards of Education.

Finally, we don't want a more equitable distribution of ad valorem proceeds for financing education, we want education to be financed from other sources because we claim, and we're going to be able to show, I think, that you can never equalize the property tax burden across the state. There are other sources of revenue available to us, and we think the General Assembly ought to avail itself of them. And that, in a nutshell, is our case.

Q. I was wondering if you would be able to obtain a brief for us. Some persons would like to have them. Secondly, there's a third criterion and that is a ten year straight line depreciation value on manufacturing plants and you might want to include that in your suit.

A. Additionally, inventory is not assessed on the same basis as is real property in this state nor is homestead exemption or the double exemption for over 65 taken into account by the state

Q. Would you comment on the fact that Mr. Paul Mangold who was a research associate in the state department of revenue stated that there tends to be a more even distribution of the property tax in the state as compared to

income and sales tax which tend to be concentrated in large metropolitan areas. He observed that income and sales tax as a source of revenue for schools would require an even greater redistribution of revenue than is now required with the present system of finance.

A. I think he is assuming that the counties would actually retain some of that income or sales tax and that it wouldn't go to the state and be distributed out one hundred per cent by the state. There would be no problems if the state handled the whole thing as the constitution of Georgia requires. Now, as to whether a sales tax or an income tax is a preferable one I'm not prepared to argue that point. I am prepared to show you that with a two cents increase in the sales tax, we could pay for all of our education as it now stands. By doubling the state income tax we could pay for all of our education and if you combine those two taxes to any degree you could pay for your education. Now, sales tax is regressive and income tax is progressive and that's a policy argument, and as the gentlemen who preceeded us in his talk kept saying—it's a value judgment and its not one that the federal courts are going to shoulder.

Q. How do you reach the argument that property tax is inherently discriminatory?

A. Because it can't be equalized from county to county.

Q. Why not?

A. Because different counties have different millage rates to provide their education.

Q. Well, couldn't you have a statewide millage.

A. If you legislated a statewide millage rates you would have the inability of counties with a low property tax digest to come up with the amount of funds they would need to meet their required local effort. It would just be perfectly impossible for some of these counties to do it. Also, you've got the fact that a $50,000 house in Telfair county is taxed at a rate less than it would be in the city of Atlanta and the fact that a 3 bdrm. 2, bath house is taxed at a much greater rate in Atlanta than it is in Telfair. Now I don't know why we have to stick with the evaluation of the house, why can't we compare the types of houses? And show the difference in the tax rate. Why does the taxpayer in Atlanta, merely by virtue of the fact that he is surrounded by a vast desire for good education, why does he have to pay more taxes for the same type of residential installation than a man in Telfair does? I think its unconstitutional because I think the state of Georgia has identified these taxpayers as a class for educational purposes.

Q. I'm not a lawyer but are you going to make any kind of argument for the sales-ratio studies not being worth a damn?

A. Yes.

Q. Because for one thing they are only based on residential property because

that is the only thing that ever turns over that they can get a sample on and secondly from what I've seen . . . we have had a hell of a time concluding that that was a statistically significant random sample.

A. Well I think Mr. Davis' statements before the General assembly pretty much established that there is a significant doubt about it.

Q. I assume your case like Serrano is based on a need for more equal education, is that right?

A. Yes.

Q. How do you go about defining equal education?

A. Well, I think we escape that problem because Georgia has identified what an equal education is in its constitution and by virtue of its taxing laws. It's decided that 78.5 to 78.6 million dollars per year is required local effort and that represents 17% of what an adequate education is, so 83% more represents what an adequate education is. Now we're saying that students and taxpayers are denied equal protection of the law because their relative tax burdens in arriving at that equal education are different.

Q. Shouldn't you argue that equal education means the amount of money necessary to buy the same teacher is different areas?

A. Well, I think we might find the responsibility of pointing out to the court that is it possible to decide what an equal education would be, but I don't think it's our responsibility to firm up any legislative proposal to the Georgia General Assembly because we're just showing that the system as it operates now does not result in equal treatment under law.

Q. Your base is still fiscal neutrality, that is equal dollars for equal A.D.A.?

A. In a nutshell no. Our suit is predicated on the taxpayers. We think that's a better claim in Georgia. Now the students are being represented by the Whitfield county people and we do have two students that we represent but basically we want the court to enjoin the state from having a system which does not result in equal education for the students of Georgia and that does not result in equalized tax burdens on the citizens of Georgia. I think you open a vast Pandora's box if you get before the court and you try to, in some sort of definitive manner, show them exactly what an equal education is. I think that's a legislative responsibility, which the Georgia General Assembly has abbrogated.

Q. Are there any other suits in Georgia?

A. Mr. Sell in Macon represents the Bibb County Board of Education and is either bringing one or has already brought one, and there is this suit we're joining in of course with two different points of view. There's a case in Fulton Superior Court which has been indefinately continued by Judge Shaw which attacks inventory assessment. It goes toward this entire equalization of the tax

burden. Other than that I don't know of any other cases. No, excuse me, there's one other case in the Northern District of Georgia similar to our case and their pleadings are so "bare-boned" that I really don't know what their claims are.

SERRANO: A Labor Manifesto Not For The Kids

HARRY L. SUMMERFIELD

On their face Serrano (and Serrano like cases) are too high minded. In their judicial nobility they are educationally unfounded and politically obscurant. They are, however, useful and important to educators, but not for obvious reasons.

Serrano Educationally Unfounded

Says the California Supreme Court in Serrano v. Priest:

> We therefore arrive at these conclusions . . . this system makes the quality of a child's education depend upon the resources of his school district and ultimately upon the pocketbook of his parents . . . It denies to the plaintiffs and others similarly situated the *equal protections of the laws*.
>
> By our holding today we further the cherished idea of American education that in a democratic society free public schools shall make available to all children *equally* the abundant gifts of learning. (emphasis added).

As a pedagogical matter the language of this and similar decisions signals an ill fated remedy to "inequality of educational opportunity", and already the warnings are out. Equalizing dollars spent per pupil throughout a state will not, as these decisions claim, provide anything reasonably defined as equality of educational opportunity. Dr. S. Francis Overlan writing in the *New Republic* was the first to put the case squarely:

> Insofar as these recent decisions will equalize tax burdens, they deserve the wide support they have received. But these court rulings are not in a class with *Brown*; they will not bring about equal educational opportunities within their states.
>
> If one seeks to liken the significance of these state reform decisions to any of the U.S. Supreme Court, the *Plessy* decision is the more apt comparison. Through *Plessy*, the Court ruled that schools for blacks and whites could be equalized by the equitable distribution of such "tangible" factors as buildings, curricula and salaries of teachers . . . the recent decisions assume 1) that equalization of finances will result in the equalization of purchasable educational resources. Like *Plessy*, they assume 2) that equalization of purchasable educational resources will result in equality of educational opportunity. Both assumptions are doubtful.[1]

One finding of educational research, best stated in the Coleman Report,[2] stands

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[1]S. Francis Overlan, "An Equal Chance to Learn", THE NEW REPUBLIC, May 13, 1972, pp. 19-21.

[2]James Coleman, et. al., EQUALITY OF EDUCATIONAL OPPORTUNITY, U.S. Government Printing Office, 1966.

out above all, reaffirmed and marvelously instructive, that is, dollar expenditures do not serve to close the gap in educational achievement between lower and middle class students.

Serrano Politically Obscurant

The promise of equality by Serrano feeds demand into the political system. Expectations for "equality" rise and, because equality cannot be purchased, aspirations are quashed and conflict over the schools is ever heightened. With its "good" intentions, the courts once again have pictured the schools as a cornucopia of equality when, in fact, a bath in that horn is the sufferance of boiling oil. Politically, only conflict and strain can emerge from the humiliating flattery which poses the schools as the great equalizer.

Serrano as a Labor Issue

Although equality of educational opportunity is perhaps the only legal guise under which property tax reform could be stimulated, to be realistic about the effects of Serrano the decision is best viewed as a labor as opposed to an educational matter. Indeed, Serrano type cases may become as important to public employees, teachers at least, as the Wagner Act was to industrial workers. And, in addition, viewing Serrano as a labor decision makes good educational sense.

Arguments in the Serrano type cases showed that the tax support base and, subsequently, dollars spent on children are unequal among a state's school districts, and the court's remedy talks about equalizing educational opportunity by equalizing dollars among districts. For all practical purposes, however, the court's remedy does not in fact speak to any phenomena which directly affects the child. Dollars are not spent on students (and dollars make little difference to performance of students). *Dollars are spent on teachers. Because about 85 cents out of every education dollar goes to teachers' salaries, Serrano decisions are in fact talking about equalizing teacher paychecks throughout the state.* Although it would have been an unsound way to build a constitutional case, from a practical point of view the Serrano data, like the example chart below, could have explicitly identified disparity of pay to teachers within every state (except Hawaii) as the measure of inequality of educational opportunity.

For tending twenty-five children in Spalding County, Georgia a teacher with presumably the same BA qualifications makes $1,700 less simply because she is not teaching in Atlanta; she makes $1,300 less for teaching in Rockford rather than Chicago; she makes $800 less for teaching in Fall River rather than Boston. Although some of the salary differences are attributable to cost of living variations within states, virtually all the pay differential is due to the fact that the tax base supporting each teacher is greater in Atlanta than Spalding County; greater in Chicago than Rockford, etc.

No one can successfully argue that equalizing the pay of a Bulloch County teacher with an Atlanta teacher will make much difference to the children. All

Example	Annual starting pay in dollars for:	
School Districts	BA	MA
Georgia:		
Atlanta	7,300	8,140
Bulloch County	5,600	6,328
Illinois:		
Chicago	9,333	9,970
Rockford	7,400	8,554
Massachusetts:		
Boston	7,600	8,200
Fall River	6,800	7,400

Source: Salary Schedules for teachers, 1971-72, Selected Districts. NEA Research Report 1971, R12.

the evidence is against that phenomena. It will still be the same teacher, the same kids, the same pressures, and the same cultural settings. However, one can quite rationally ask the ripe question why a worker performing basically the same job with the same qualifications in the same state should be paid a dramatically lower salary merely because she has chosen to teach in a poor school district (and, in the rural South at least, probably in an area where she is relatively more valuable because she is more difficult to replace).

Serrano decisions will correct this inequity by equalizing tax base support which will in turn provide equal pay for equal work regardless of where it is performed in a state like a union's contract for equal pay to workers of the same category regardless of the location of the plant.

Importance of the Labor Argument

Since the effect of Serrano will fall on teachers, not students, the disparity between the equalization of educational opportunity promised by the rhetoric of Serrano and the reality of its effects as labor reform must be made evident at the earliest moment. Within the state legislatures by effectively transforming Serrano to a labor rather than a pedagogical issue, educational finance will be put on a rational power base where it belongs because: first, achievement of "educational equality", the mushy issue which teachers cannot fight and which legislators use to retard expansion of finance, will be eliminated from the conflict. Second, recognizing that in itself there is nothing wrong with teachers arguing that their standard of living is something independent of the students, teachers can organize and confront legislatures—power to power—to resolve the dollar questions.

Putting teachers on a rational collective bargaining base shifts the dependence of the teacher from local government close to the Gross National Product.

Like pay for a General Motors worker whose labor (actually, whose decreased labor) produces more wealth over time or a federal civil servant whose GS rating stays the same, salaries will increase for teachers as a function of increase in the nation's wealth as a whole.

Explicit recognition of this condition will put teachers in the position of arguing in the legislature that new dollars are not for the children; that dollars are for teachers and that little kids will neither be the shield behind which legislators hide nor will children be fighting the teachers' political battles any longer. Teachers will thus use power, not pedagogy, as the basis of educational finance.

Serrano decisions invite this situation. Legislators may not welcome a conceptual shift for distribution of dollars from children to teachers but if truth be virtue, then legislatures and school teachers are probably better off facing the problem of deciding just how much a teacher is worth qua teacher. Although this is politically tougher at the outset, it is better than pretending that dollars are allocated for educational quality, thus raising community expectations for results which will not be forthcoming and, ultimately, suffering more severe attack on the concept of public schooling itself.

We are not entering a new era of quality control in education. Serrano decisions will force equalization of teachers' salaries regardless of performance but dollars have always been untied from performance. Teacher salary schedules have long been bound to seniority, pay step increases based on age, not performance. And how else do you run a massive public bureaucracy? The solution to quality control in teaching is not now and never has been through dollar incentives. Personal dignity, pride in the profession, civility of character from both student and teacher, and rudimentary pedagogy, remain the basis of professional quality. Dollars do not buy these qualities; dollars can merely reward them. The question Serrano poses is whether political geography shall hinder even distribution of rewards.

The U.S. Supreme Court and
Public School Finance
TOM KEATING

General thanks and welcome.

Four symbols seem to represent what the Supreme Court was going through in the Rodriguez—San Antonio case. I shall mention these symbols and then perhaps comment on some of the questions and the imprecise dialogue which I tried to take from the Supreme Court Justices as they asked questions. There is no exact record of the Supreme Court oral hearings, because most of it is in the written briefs.

The four symbols I'd like to point out are first of all the symbol for San Antonia, the appellant, which is a strait-jacket. The second symbol which seems to represent most accurately Rodriguez, the plaintiffs, is the emblem of the State of Texas with a pointed ladder inside. At the top is education and at the bottom are helpless children. The third symbol is actually the symbol of the The Supreme Court itself. The symbol that stood out in my mind as I sat there was that the seats are of different sizes. Different judges have different frames but what was more symbolic was that certain judges like White asked 13 questions and Brennan asked five; Rehnquist asked eight (the second largest number) and Blackmon asked four or five and Burger asked three or four. Douglas and Powell asked none and Marshall was absent on a funeral. The same problem occurred about 2 months ago when he was absent when the first breaking of the inner politics within the Supreme Court justices came out in the open; there's some real inner hassling going on, and incidentally, there seems to be some lobbying going on by the center chair because the Washington Post has broken a story on this.

So we have three symbols: for the appellant, the straight jacket; for the plaintiff, the Texas symbol with the pointed ladder; the size of the chairs representing the number of questions, and finally I'd like to make the symbol of the courtroom itself. I think it symbolizes what we're talking about as far as education. I would like to attempt, as an educator, to move some of this symbolism along.

What do I mean by a strait-jacket? Well I'd like to give some of the argument that Mr. Wright gave. Mr. Wright is a textbook writer of a book called WRIGHT ON FEDERAL LAW—WRIGHT ON FEDERAL COURTS. This is a big man in statute, a big man in experience and no kid lawyer. I happen to sit next to a kid lawyer who has gone into a firm just recently and when we finished the *Keyes v. Denver* case and people were standing up and stretching and trying to decide whether they would stay and fight out the next hour and a half, he said "Well, lets get on to the big fight." In a sense this is where the action was. It was not with the 18 year old desegregation case; it was with the number of questions which I totaled out at 36—12 to the appellant, and 24 to the plaintiff. So we are into, perhaps on Columbus day, the real

columbus day, October 12 . . . we're into an historic, it seems to me, beginning.

What's the significance, then, of the strait jacket? Well, the Texas lawyer—Mr. Wright—argued that the upholding of the lower court would impose a constitutional strait jacket on Texas which prides itself on diversity, variety and independence of school systems and approaches to local government. It's interesting to me Fred Graham who is a lawyer and NY Times best reporter for the Supreme Court misquoted or his editor misquoted Mr. Wright. It was not recorded as a constitutional strait jacket but as an educational strait jacket. And I think that's more than a Freudian slip, because perhaps we are involved in, as a lawyer sees it, a constitutional question. The court sees it as a constitutional strait jacket, and in my opinion everybody's scared to death of Pandora's box. But educationally, everyone isn't scared, they're ignoring it. If the lawyer who is arguing this case says educators don't know what they're talking about, if Mr. Silard says I will not answer a question unquantifiably on the question of equality, and if the economist here says I can't deal with values, I submit to you that the whole area of values is going to be lost. It seems to me that the area of politics or values has to be intersperced or interworked or played right along or otherwise we'll get right to the end and we'll have a lot of pragmatic solutions but we will not have the value question. That's where we've been hung up for so long, we did not have the *why*.

Another question that was asked that might reflect once again the symbolism of the strait jacket, and that was a question by Justice Steward, who only asked two. He asked two of the most important long range questions. He asked whether or not the states and the counties could give up their constitutional rights to educate children. The Texas lawyer said that he felt that the local governments would be deteriorated if the courts upheld Rodriguez and that there would be this constitutional strait jacket or, in other words, yes the court, the states, and the counties could give up this right. And at the time when he answswered that question the clock hit noon and he suggested, because he was under some heavy fire, perhaps there ought to be a break for lunch, which was unprecedented because usually the Supreme Court Chief Justice tells the people when to break for lunch. But Wright was under a lot of pressure, or so said skuttlebut in the halls at lunch.

Perhaps we ought to swing quickly to the plaintiff and the symbolism that Mr. Gotchman, exemplified. He symbolized that the importance of education is the top, the bottom, and all the rungs of the ladder of society, and at the bottom we have helpless children. Who is the boogeyman or the bad person? The state who did this to us. And so I submit that the symbolism that the plaintiffs are pushing forward in *Rodriquez* is that education is the apex but it's the top on a ladder and that the state is responsible for what has been done because the state, at least in Texas, taxes the richest areas the least amount and gives them the highest yield, while it taxes the poorest areas the highest amount and gives them the lowest yield. We can take the figures that San Antonio-Edgewood can only produce $21 per pupil expenses despite having the

highest tax rate while Alamo Heights, taxing at a lower rate, produces $307 per pupil. Under the new system, which he would symbolize poetically in what he is saying as far as the state, the apex, education, would come out 210-216 which is equal in anybody's ball park.

Thirdly, I'd like to very quickly go into the symbolism involved in the court. I was fascinated I must say with the eight men who were present and with the whole concept of the legal matters involved. One question might reflect this and this was White who asked 13 questions which is quite a ball score when you drop down to 8, then down to 5, 3 and 2. In other words the man who may be the swing man, one of the most brilliant and certainly persuasive men who has already initiated some memorandums on this taxation question is White. And the skuttlebut I heard last night from John Silard is that if the votes come out and you take Douglas, Brennon, Marshall, in abstentia, who did reserve the right to hear the case, and White convinces his other very competent colleague Stewart then you have the 5-4 vote. I don't know how votes are going to go but it makes a lot of sense and from what I saw and felt, this was very possible.

White asked, "Whatever system it must have, must there be an equal dollar input?" Gotchman was on the ropes with this question, and he said no, he didn't think so. There could be disparity if there was a compelling interest that brought this about. White said he did not understand the argument but because of time perhaps they ought to continue. I do not think there is an answer at this point. Finally White asked the same question that Stewart did. That is, what happens if education is increased to the highest taxing level given the choice to the local communities and they do not elect to tax at that level? There was no answer for that, except Gotchman said, they had the choice and having the choice is better than not having the choice which is what the economist was saying on economic and non-value terms. Then Stewart came right back and asked again about the functions of the state and the county as far as providing education.

To conclude, if I might, I would like to look at the entire symbolism of the courtroom and the rigidity as it is set up. First of all there were only about 60 seats for the public. I was 25th in the morning and 35th in the afternoon. I was lucky. I was number 25 in the line getting in. Had I been a second later in coming in, 40 undergraduate students from Harvard who had come in to study the development of law would have taken up every seat. The hundreds of people of the general public who were not there early had no chance of getting in.

It seems to me in the horse and buggy age this is fine but in the nuclear age or the TV age that some kind of closed monitor system might be possible. It seems to me that the way it's set up now with the legal questions, the legal attorneys, the legal people watching, that the average citizen is just trying to get a minimal understanding. There needs to at least be a coalition, though it may be hazardous, between value people, legal people, education people and money people. We are ignoring the question of values. I feel that this is where in the long run we're going to go wrong because if we're talking about the whole process of education—not equal, not quality—none of the adjectives have been

added that are accidents in the Aristotelian approach. Quality is an accident; education is substantial—substance or essence. If we're talking about (1) education or (2) integrated education in the sense of the whole which is what integrated means, or if we're talking about international education, which is what the whole world is about, then we cannot ignore the question of values and set it up in this rigid way with a ladder. Rather we need another symbol which I would suggest is sunlight on water. If you look at sunlight on water and feel what that is, it is a lot different from a ladder approach. The value that we need to be able to interject educationally, legally, and financially is justice, truth, and love. The symbol is sunlight on water.

I sat next to a presidential advance man who was coming from Atlanta to Washington to brief President Nixon on the Atlanta trip. I didn't realize it for a while. In my row there was an empty seat and here was this man with a Pan Am bag which fooled me, because I thought, "here's Tommy Tourist", then I happened to look over and saw a yellow legal pad. At the top it said Oct. 12, Memo to the President. It said from HSI, regarding Atlanta trip. One of the items was on busing and his claim on busing was that the Atlanta "liberal Constitution and Journal newspapers are "raising back against the issue of busing" and that Atlanta's 70% black school system would soon go 100%. I would only ask, as a personal request, that both friends and new colleagues take these transcripts, and the information in them and run them out to the public because the long-standing questions are of values. We've got to get this message and information out like a chain letter forever and ever.

Thank you very much.

PUBLIC SCHOOL FINANCE: A Summary of The Issues

ROBERT FISHMAN

It is evident that the issue of equalizing public school expenditures has become a matter of considerable concern and controversy. The issue has arisen as a consequence of recent court decisions holding that present arrangements for financing schools are unconstitutional. Thus, in Serrano v. Priest the California Supreme Court stated:

> We are called upon to determine whether the California public schools financing system, with its substantial dependence on local property taxes and resultant wide disparities in school revenue, violates the equal protection clause of the Fourteenth Amendment. We have determined that this funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors.

The issue was presented to the U.S. Supreme Court in October of 1972 on appeal from the San Antonio Independent School District from an adverse decision in the Texas *Rodriguez* case. In addition, in a majority of the states, cases are pending which challenge current arrangements for financing public education. Most of these suits explicitly challenge the local property tax as inherently unequal.

The key questions raised by this issue are terribly complex. They include whether binding judgments should be made by referendum, legislative enactment, or by the courts; whether schools should be financed through the property tax or through alternative arrangements; whether the taxes should be local, state or national in nature; and whether there should be a continuation of local control of schools. They include the relationship between expenditures and the quality of education and the correlation between expenditures, student performance, and earnings in adulthood.

The Method of Financing Public Education

John Silard points out that we could conceivably achieve some degree of equalization in expenditures for education through he following: a minimum foundation program for which the state provides money to school districts in such a manner as to reduce expenditure differentials; full state funding of public education; the retention of the property tax base which is modified in order to redistribute tax money from wealthy to poor school districts; the providing of tax credits or the use of voucher plans.

Minimum Foundation Programs and the Level of State Funding

All states provide a certain percentage of the total revenues for schools thereby supplementing the efforts of local school districts. The amount of

support provided differs from state to state and the extent to which state support actually narrows expenditure differentials between school districts varies considerably. In all of the states the funds provided by state government tend to be distributed with insufficient or no regard for local capacity or effort. In some cases, state aid provides no more help to poor school districts than to wealthy ones. Furthermore, the school districts with the least wealth frequently tax themselves the most heavily and yet raise less revenue than better endowed districts. For example, in South Carolina the wealthiest school district is Greenwood which is able to produce local tax revenue of $284 per pupil with an equalized tax rate of only $4.11 per $1000 market valuation while the Sumpter district is able to raise only $64 per pupil locally even though it has a higher tax rate of $6.66 per $1000 market valuation.

In Georgia, while the outcome of the various challenges in the courts to the current method of financing public education may be influenced by the decision of the U.S. Supreme Court in the Texas *Rodriguez* case, there is certainly no guarantee of this because of differences in the minimum foundation formulas of Georgia and Texas. Texas provides a flat dollar amount per school district with supplements based on wealth. The minimum foundation system in Georgia, though underfinanced, is based solely on the amount of taxable wealth in local school districts. But as Howard Atherton has pointed out the system of school finance in Georgia fails to adequately take local effort into account. Therefore, in rural areas of Georgia the assessment of property is significantly understated relative to urban areas. In addition, there are sizeable disparities in the amount of taxable wealth between school districts. Thus, there are great variations between school districts in their contribution to public education per pupil. Efforts are currently being made in the Georgia legislature to increase the size of the state contribution to public education for counties that are unable to meet the state average in expenditure per pupil. The substantial dependence of localities however, on the property tax would not be affected.

In contrast, the argument that some are making for full state funding assumes that the local property tax system ought to be replaced. The clients on whose behalf Tom Cauthorn and his associates are bringing suit, explicitly challenge the method of financing public education through the local property tax, contending that the property tax burden is inherently incapable of being equalized between school districts and is therefore discriminatory. In most states however, including Georgia, a movement towards full state funding would force the elimination of innovative local programs. Because the state could not come up with the financial resources to support such programs in all 188 Georgia school districts, Atlanta's kindergarten program and the Fernbank Science Center in DeKalb County would be eliminated.

An alternative to completely abolishing the local property tax is to restrict its use in order to achieve equalization. Bill Wilken suggests the feasibility of setting an upper limit of expenditures for school districts for five years while allowing less endowed localities to drift upward through intergovernmental support and their own efforts. Certain investigating bodies, such as The

Fleischmann Commission in New York, have proposed a freeze on expenditures in wealthy districts. Such proposals are opposed by John Silard who maintains that if equalization is to be meaningful we cannot limit expenditures in wealthy districts. Similarly, *The New York Times* has taken the position that an imposition of controls on the extent to which local citizens may tax themselves for their schools would have the effect of lowering the priority of public education among competing priorities, and reduce local initiative and involvement in improving the public schools.

> Unless affluent communities are allowed to set the pace for the kind of schooling they believe their money ought to buy, there will be decreasing pressure on the Legislature to provide adequate funds for the less favored districts. In the interest of educational quality, the sensible way to narrow the gap is by filling the empty glass rather than draining the full one.

Those states that manage to set an upper limit on expenditures in wealthy districts may nevertheless encounter difficulties in moving towards equalization in a meaningful way. For example, current proposals for equalization by state officials in Georgia range from $15 million to $27 million. But Howard Atherton estimates that for the state of Georgia to equalize the level of expenditure currently in existence in Atlanta would cost over $500 million.

In any event, attempts to set an upper limit on expenditures in wealthy school districts would be subject to evasion tactics by parents attempting to avoid its effects. One possibility is to shift certain items such as libraries, student health services, and community services from the school budget into the budgets of municipal departments to avoid any more sharing than required by law. Some parents might elect to move their children into private schools rather than suffer from any disadvantages that might accrue from an upper limit. In doing so, they would also vote for the lowest possible school levy with unfortunate consequences for children whose parents cannot afford private school tuition.

Recent attempts to shift the burden of financing public schools to the states have been met by resistance by voters. In November 1972, the voters of California, Michigan, Colorado, and Oregon thoroughly defeated different proposals to abolish or restrict the use of property taxes as a major source of funds for schools and other public services. The state legislatures have been just as reluctant to tamper with the local property tax. Not long ago, the New Jersey legislature rejected a comprehensive proposal to shift the financing of schools from the local to the state level and to fundamentally reform the state tax system. These experiences suggest that full state funding or even the establishment of limits on the use of local property taxes will be difficult and perhaps impossible to achieve through referendum or legislative initiative. In the event that full state funding or restrictions on the use of local property taxes are imposed, the courts will probably be the institution to render such judgments. Such judgments are unlikely to settle the question however. State officials, reflecting their perception of constituent attitudes, might well attempt to engage in tactics of delay and obstruction to prevent the enforcement of such court orders.

Retaining the Local Property Tax

None of the conference participants had a good word to say for the retention of the local property tax as the primary means of financing public education. However, Dan Corditz in the May, 1972 edition of *Fortune Magazine* advocates the retention of the property tax as essential to the maintenance of independent local governments. He calls the elimination or drastic curtailment of the local property tax with a resultant shift of the tax burden to other sources of revenue "unrealistic, misleading, and potentially dangerous." A far better solution, Corditz asserts, would be the modernization of the local property tax. Therefore, he advocates the elimination of indiscriminate exemptions to religious, charitable, educational, and fraternal organizations all of which place an unfair burden of taxation on homeowners. He is also critical of across the board exemptions for veterans and retired persons. Corditz asserts that whatever property is exempted, the taxing jurisdiction should be required to make public the assessed valuation of such property as well as the amount of taxes not being collected. He also argues that taxes on real-property be shifted from improvements to land. The present system gives sizeable tax breaks to owners of property that is unimproved and underutilized while discouraging improvemments which tend to be overassessed. The property tax system, Corditz maintains, should be designed to promote the intensive development of property. He also urges the consolidation of tax assessing jurisdictions and local governing units, the activities of which are severely fragmented, where it is possible to do so. Such consolidation would have the effect of reducing the 14,500 separate assessing districts and 71,000 tax levying governments now in existence with their uncoordinated and overlapping jurisdictions. Corditz advocates equalization in the financing of public services, including education, through the consolidation of districts with differences in wealth or through some method of redistribution of money that does not eliminate the jurisdiction of communities over their tax base and their budgets. How the latter would be accomplished is left unspecified. He advocates giving over the task of assessment of property to a highly trained group of qualified professionals at the state level and the elimination of the current proliferation of primary assessment districts within the states. His concern is with encouraging an internal consistency of assessment within local jurisdictions and on a statewide basis as well. Corditz urges the states to eliminate the system of partial assessments. Most states currently assess property at only a fraction of its worth rather than at full market value.

Ultimately, Corditz's suggestions for reform may have to be acted upon. Neither voters or elected public officials can be counted upon to eliminate or seriously curtail the use of local property taxes on their own initiative. Unless the courts declare the use of the local property tax as the primary means of financing public education unconstitutional, its modernization may be one of the few remaining ways to achieve a measure of equalization in the financing of education and other public services.

The Use of Vouchers

In his presentation, Arthur Schreiber asserted that the monopoly over education by the public schools deprives people of any meaningful choice. Education, he believes, should be subject to a free market with parents as the consumers choosing among competing products through a system of vouchers.

There is much to be said for the encouragement of choice by parents and children. It seems reasonable that parents be given some choice over the schools their children attend. A key question however, is how much choice should they have? The position taken here is that parental choice ought not to be pushed to the point of complete domination by parents. Instead, it is desirable that there be a balance of influence shared by parents, students, teachers, and administrators. While the market has its place it should not become the total determinant of the educational system. Competition should be built into the system however, as part of a comprehensive and planned attempt at reform.

Theordore R. Sizer, writing in the January 11, 1969, edition of *Saturday Review* advocates giving public money directly to children and their parents, allowing them to choose the school they wish to attend. Specifically, he proposes a system of vouchers to be cashed in by the school, public or private, that the child and his parents choose. The value of the voucher, Sizer says, ought to be related to the income of parents so that poorer children receive a more valuable voucher than children from wealthier families. The assumption is that children who have been subjected to disadvantaged environments require more extensive and costlier services than those with privileged backgrounds.

One advantage of this concept is that resources are placed in the school that the child attends avoiding the usual draining off of funds by bureaucrats. Another advantage is that schools could get more money by attracting poor children enabling some to use their budgets for programs that otherwise would be denied to them.

The fear has been expressed that voucher plans will promote stratification especially along racial lines. We must recognize that considerable stratification already exists under the present system. And in the presence of widespread concern about neighborhood schools, local community control, and "forced bussing," it is hard to be optimistic about the prospects for racial integration in the near future under any plan of educational reform. However, the voucher system assumes that schools will be encouraged to compete with one another with the best schools attracting the most students as well as the most money. As Andrew Young suggests, schools such as the Downtown Learning Center in Atlanta which offer an innovative and attractive program, are in a position to attract students from the entire community. Even if the voucher plan fails to promote integration, available empirical evidence suggests that at least it will not promote additional racial stratification. The voucher system is currently being tested in the Alum Rock Union School District in California. The district is about half Chicano, forty percent white and ten percent black. There has been no major shift from the racial makeup of the previous year, and ac-

cording to Joel Levin, the project director, parents "have clearly opted to maintain their integrated neighborhood schools."

Under the voucher plan, certain functions would have to be decentralized. But the decentralization of curricula development and the hiring of teachers ought to operate within a framework of centralized responsibility for matters such as school taxation, evaluation of schools, construction of school buildings, the accreditation of teachers, and the setting of teachers' salaries. The voucher plan ought not to replace sources of funding already in effect. There will continue to be a need for governmental financial support to the schools to reward incentives and to promote equalization of finances.

Federal Support for Equalization

Even if all States achieve equalization of expenditures for schools within their borders, a serious problem of inequality of expenditures would nevertheless exist between the States. There are significant variations in expenditures per pupil among the States ranging from over $1,300 in New York to less than $500 in Alabama in 1970-71. The only way that this gap can be reduced in the forseeable future is for the Federal government to increase its financial contribution to the public schools of the nation significantly. At present, the Federal governments' share of the financing of elementary and secondary education is about eight percent compared to the thirty nine percent contribution of the State governments and the fifty three percent contribution of local governments. Cynthia Brown suggests that the Federal contribution ought to be increased to twenty five or thirty percent of the cost of public education. Given the concern of the Administration to hold down expenditures however, the share provided by the Federal government to education is unlikely to rise during the next four years.

The Consequences of Equalizing Expenditures

Unfortunately, we cannot assume that equalizing expenditures for each student will automatically result in genuine equality of opportunity much less equality of performance. Many observers now maintain that such expectations are unlikely to be met as a result of equal dollars per child or even from compensatory funding in favor of poor children. They tell us that the environment of the child at home and parental income are far more important in determining achievement than are the schools. The support for these statements comes chiefly from two major studies. One of them, the Coleman Report, concludes that a comparison of schools with economically and racially similar students shows that there is little relationship between differences in educational programs and resources and "pedagogically significant or statistically reliable differences in verbal achievement." The second study, published only recently, by Christopher Jencks and seven of his Harvard colleagues denies that reform of the schools can achieve significant changes in society; or that the impact of the schools on raising I.Q. or reducing cognitive inequality is signifi-

cant; or that cognitive skills, I.Q., or grades have much of a relationship to future economic success.

Both the Coleman Report and the Jencks Study have been cited recently by those who dislike the implications of the *Serrano* decision and are opposed to attempts to achieve equalization of financing. For example, Chester E. Finn, Jr. and Leslie Lenkowsky in the September, 1972, issue of *Commentary* point out that the achievement of equality in educational expenditures can be achieved only through a significant increase in the level of expenditures. They then assert that the result will be an increase in the inequality of income in that low income families will have to pay to provide more money for middle-income teachers without any corresponding improvement in their children's educational performance. Daniel Moynihan in the Fall, 1972, edition of *The Public Interest* asserts that pressures to increase public expenditures will face an increasing opposition by citizens and that it is dangerous to increase school expenditures without any measurable change in results. In any case, he argues that this is a political question and ought not to be determined by the courts.

However, Christopher Jencks in the December 1, 1972, edition of *The New York Times* wrote the following:

> In fact, . . . the research we reported does not justify cutting school expenditures, abandoning desegregation, or giving up efforts at school reform. It has always been a mistake to assert that equality of educational opportunity could eliminate problems like poverty and injustice in America. Our research suggests we should stop making such claims. But the fact remains that American schools badly need improvement and this effort ought to continue.

It is clear that Jencks does not oppose experiments in education, desegregation, or equalization of expenditures. What he is opposed to is inequality as represented in America's social and economic structures and processes. The essential thrust of his argument is for fundamental societal change but that such transformation cannot be achieved merely by reforming one or two institutions within the society.

If we cannot prove that equalization of expenditures will improve the academic performance of children, how can efforts to acquire more money for public education be justified? Professor Summerfield's solution is to treat the entire question as a labor matter utilizing the organized power of the teacher's unions rather than as a pedagogical issue. While the organized power of teachers undoubtedly gives weight to their demands, the breakdown of collective bargaining efforts and resultant strikes in cities like St. Louis and Philadelphia suggest that public officials may think that closing the schools is more rewarding in political terms than giving in to the demands of public school teachers. Therefore, it is by no means certain that a presentation of the issue purely in terms of collective bargaining is the method best calculated to achieve equalization of financing. There are compelling arguments for equalization aside from the matter of measurable outputs. Besides, the issue of how to finance public education is in for extensive litigation in the courts where the preparation of

convincing legal, moral, and sociological arguments on the part of those bringing suit are a necessity.

Because equalizing expenditures doesn't guarantee increased literacy or an improvement in lifetime income, one should not assume that the inequities that are currently tied to school finance are unimportant. There is no justification for the schools to add to the handicaps, whether environmental or genetic, that many children are suffering from at present. Equalization of school finances is justified by the immediate gratifications they provide whether in the form of athletic equipment, band instruments, library materials, individual attention from teachers, audio-visual aids, or improved janitorial services. It is important that children enjoy themselves in school. Robert Lekachman in the September 18, 1972, issue of the *New Leader* argues:

> We all spend an inordinate amount of our short lives in schools. . . . If the major effect of Serrano-style equalization is "only" to distribute more evenly the good things of childhood and adolescence, the decision will deserve every bit of admiration that has been lavished on it.

We must also recognize that the schools teach children certain basic skills and transmit a good deal of information. Even though Jencks may be correct in viewing these skills as of marginal economic value beyond a very basic level, they are important for their own sake. The knowledge acquired can help children better comprehend their experiences and can aid them in broadening those experiences in various ways. Furthermore, much of the effects of education cannot be described through I.Q. tests, tests of cognitive skills, in job status or income. Jencks study tells us nothing about the quality of individual lives, the friends that people make, or the attitudes that are acquired and passed on to future generations.

There may even be more of a relationship between schooling and adult success than Jencks' study recognizes. Reports that have been published by The Census Bureau find a strong correlation between the amounts of education acquired and later earnings. The more years of school completed, the higher one's annual earnings tend to be.

Educational Attainment and Lifetime Earnings

Years of School Completed	*Lifetime Earnings*
Less than 8 years	$189,000
8 years	247,000
9 to 11 years	284,000
12 years	341,000
13 to 15 years	394,000
16 years	508,000
17 or more years	587,000

Source: Bureau of the Census. Data are for men only.

The Jencks study found little correlation between what people learn, as measured by standardized tests, and lifetime earnings while the reports of the Census Bureau find a definite positive relationship between years of schooling and later earnings. Therefore, whether or not the effects of schooling are reflected in standardized tests, it appears entirely reasonable that making the schools more attractive to students will encourage them to remain for longer periods of time with a resultant enhancement of their earnings potential. It should also be noted that Jencks draws definite conclusions from the schools as they are at present. Overlooked is the possibility that improved financing of schools along with the introduction of new teaching methods could achieve significant changes for the better. Apparently, various innovations are starting to take hold in ghetto areas including the use of boarding schools, the combining of instruction with various community activities, and the introduction of individualized programs which allow students to advance at their own pace. The expansion of such programs depends in large measure on whether and to what degree current efforts to achieve equalization of financing public education are successful.

Conclusion

The following conclusions are derived from the conference proceedings and from this summary article. Many of the participants will undoubtedly disagree with at least some of them.

1. Full state funding or a severe curtailment of the use of the local property tax may not represent a practical solution of the problem of equalization. If either solution were effectively imposed, financial limitations would force most states to eliminate innovative programs in school districts with high levels of taxable wealth. Far more likely however, is that any attempt to impose either full state funding or an upper limit on local expenditures would be evaded by parents through the manipulation of local budgets and/or a shift to private schools.
2. The available evidence suggests that voters and State Legislators prefer the retention of the local property tax as the primary means of supporting public education. Even if the courts declare the local property tax unconstitutional, public officials will work to delay and obstruct its elimination.
3. The local property tax does have the virtue of yielding sizeable amounts of revenue. If citizens consider that the retention of local self-government is desirable there may be no alternative to keeping the local property tax in some form because other means of taxation have been taken over by State and Federal governments.
4. The modernization of the local property tax ought to be viewed as an alternative to its sharp curtailment or full state funding of education and perhaps other public services. It would be worthwhile to explore the possibility of achieving a degree of equalization through consolidation of school districts and the redistribution of property tax funds.
5. The use of voucher plans, which include compensatory funds for poor

children, ought to be considered at least on a limited and experimental basis. Its use ought to be placed within the framework of comprhensive educational planning.

6. Eequalization of financing between the States can be achieved only through a vast expansion of the Federal contribution to public education.

7. We should not expect equalization of funding to produce a dramatic improvement in student performance on standardized tests. The extent and ways in which improved schools affect children are difficult to measure and long range in nature. However, there may be a stronger positive relationship between improved education and success in adulthood than many recent studies recognize.

8. Fundamental societal change is a prerequisite to full equalization of educational funding. Equalization in absolute terms cannot be achieved as long as significant inequalities in the distribution of wealth remain. Therefore, those who are committed to the elimination of inequalities in the financing of public education must also give their attention to other aspects of societal inequality.

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